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REPORT

OF

THE WORKING GROUP ON OIL PRICES

AUGUST, 1965

GOVERNMENT OF INDIA
MINISTRY OF PETROLEUM AND CHEMICALS
DEPARTMENT OF PETTOLEUM

Price Rs. 5.00 or 11sh, 8 d. or $ 1.80 cents.

PERSONNEL OF THE WORKING GROUP

SHRI J. N. TALUKDAR.................. *Chairman*

SHRI S. S. SHIRALKAR.................. *Member*

SHRI N. KRISHNAN...................... *Member*

SECRETARY

SHRI N. R. LAW

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CHAPTER I—Introduction

1.1 The Government of India in the Ministry of Petroleum and Chemicals, in their Memo. No. 101(35)/63-PPD, dated the 12th May, 1964 (*vide* Appendix I) appointed a Working Group consisting of the following Members, to determine the ceiling selling prices ex-companies' storage points of various petroleum products in India:—

(1) Shri J. U. Talukdar, I.C.S. (Retd.), ex-Chief Secretary, Government of West Bengal, Calcutta.	*Chairman.*
(2) Shri S. S. Shiralkar, Additional Secretary, Ministry of Finance.	*Member.*
(3) Shri N. Krishnan, Chief Cost Accounts Officer, Ministry of Finance.	*Member.*

1.2 The Working Group was also requested to examine and report on:—

(i) the manner of determination of the ex-refinery prices of refined petroleum products, including bitumen produced by the refineries;

(ii) the manner of determination of landed prices in respect of similar products which may be imported;

(iii) determination of marketing and distribution charges of products mentioned in (i) and (ii) above;

(iv) the determination of ceiling selling prices in respect of lubricating oils, greases and specialities;

(v) the possibility of linking prices with the physical supply areas for the products of individual refineries, and to consider the possibility of uniform or pool prices for the whole of the country or in different zones which may be created for the purpose.

Method of enquiry

1.3 Detailed questionnaires were issued in June 1964 to the Ministry, all the oil companies and refineries and also to parties dealing with substantial volume of lubricants, greases and specialities etc. All the replies were received by February 1965. The list of the parties to whom the questionnaires were issued and those who replied is given in Appendix II. All State Governments and Union Territory Administrations were also specially invited to furnish their views on matters covered by the terms of reference.

1.4 The Chairman and Members of the Working Group held discussions in New Delhi with Oil India Limited (OIL), Burmah Oil Company (India Trading) Ltd. [BOC(IT)] and Assam Oil Company

Limited (AOC) on the 10th and 11th May, 1965, on the various matters relating to the enquiry. Discussions were held in Bombay from the 27th May 1965 to 1st June 1965 with representatives of Burmah Shell Oil Storage and Distribution Company of India Ltd. (Burmah-Shell/BSM), Burmah-Shell Refineries Limited (BSR), Esso Standard Eastern Inc. (ESSO), Esso Standard Refining Company of India Ltd. (ESRC), Caltex (India) Limited (Caltex), Caltex Oil Refining (India) Limited (CORIL), Indian Oil Corporation Limited (IOC) and Western India Oil Distributing Company Ltd. (WIODC), on the issues arising out of the replies furnished by them to the various questionnaires. The Working Group held further discussions with the representatives of Burmah-Shell, Esso, Caltex, IOC and BOC (IT) Ltd. in New Delhi from the 28th June 1965 to 1st July 1965. A list of the persons who took part in the discussions is given in Appendix III.

1.5 The Working Group held discussions with Shri P. R. Nayak, I.C.S., Secretary to the Government of India, Ministry of Petroleum and Chemicals, Department of Petroleum and his colleagues on the various aspects of the terms of reference and also consulted Shri N. N. Kashyap, I.C.S., Managing Director, Indian Oil Corporation Limited (Refineries Division) in regard to matters relating to production at the public sector refineries and movement of products and also Shri A. Zaman, I.C.S., Chairman, Oil and Natural Gas Commission and his colleagues regarding the programme of production and supply of indigenous crude oil and the pricing thereof. The Working Group also held discussion with the representatives of the Federation of All India Petroleum Traders regarding the rates of commission on Motor Spirit and High Speed Diesel Oil.

1.6 Examination of the refining costs of the refineries and the distribution costs of the marketing companies was undertaken by the officers of the Cost Accounts Branch of the Ministry of Finance under the direction of Shri S. V. Rajan, Senior Cost Accounts Officer, Ministry of Finance.

CHAPTER 2—Implementation of the Report of the Oil Price Enquiry Committee (OPEC)

2.1 The Government of India had set up an Oil Price Enquiry Committee (OPEC) in 1960, which submitted its report on the 19th July 1961. This Committee recommended, *inter alia*, a pricing formula on the basis of import parity for bulk refined petroleum products (*e.g.* Aviation Gasolines, Aviation Turbine Fuel, Motor Spirit, High Speed Diesel Oil, Kerosene Superior/Inferior, Vaporising Oil, Light Diesel Oil, Furnace Oil) and Bitumen. On account of the difficulty of evolving a pricing formula for a multiplicity of grades of lubricants, greases and specialities, with varying specifications, the OPEC recommended a system of block control on marketing charges and profits in respect of these categories of products.

2.2 The recommendations of OPEC were accepted by Government *in toto* and implemented with effect from 1st October 1961; to remain in force upto 31st March 1965. This arrangement has been subsequently extended upto 30th September 1965, pending receipt of the report of this Working Group.

2.3 The reductions in prices recommended by the OPEC in respect of bulk refined products were mopped up by levy of additional (non-recoverable) duties under the Mineral Products (Additional Duties of Excise and Customs) Act, 1958 (No. 27 of 1958). In respect of variations in the C. & F. cost of bulk refined products (including bitumen), the three major oil companies maintain C. & F. Adjustment Accounts in which all variations as from 1st October 1961 are reflected. The accruals in this Account have also been mopped up by Government from time to time, recoveries from the smaller companies being made at the same rates. The ceiling selling prices to the consumers of these products have thus remained unaltered except for variations in statutory charges, such as duties, wharfage etc., which have been duly reflected in such prices. The rates of additional (non-recoverable) duties have been varied from time to time to ensure recoveries of the appropriate amounts due from the companies. The rates enforced from 26th June 1965 under the Ministry of Finance (Department of Revenue) Notification No. 99/65-CE, dated 26th June 1965 represent the reductions enforced under the *ad hoc* Agreement with the oil companies of 23rd September 1960 and recommended by the OPEC *plus* about 90 per cent. of the variations in the c & f cost of these products between 1st October 1961 and 1st May 1965.

2.4 Owing to the failure of the major oil companies to enforce fully the block control in respect of lubricants, greases and specialities on the lines recommended by the OPEC, an additional (non-recoverable) duty of Rs. 30·00 per tonne was levied on this category of products from 1st May 1965, to obviate over-recoveries by the companies in the future. This duty is also payable by all other sellers

of these products and the incidence thereof is absorbed by them; the prices to the consumers remaining unaltered. The question of adjustment of the over-recoveries made by the companies during the period 1st October 1961 to 30th April 1965 and of future over/under recoveries, if any, from 1st May 1965 (on OPEC basis) is reported to be under consideration of Government.

2.5 The oil companies have mentioned some points arising out of the implementation of the recommendations of the OPEC like non-availability of discounts on products, selling below the ceiling rates, inadequacy of return etc. We have taken them into consideration before arriving at our views on the issues before us.

CHAPTER 3—Trading results of the oil companies

3.1 The entire distribution trade in Bulk Refined Products is handled by the following Companies:—

(i)	Burmah-Shell Oil Storage and Distributing Co. of India Ltd.	(BSM)
(ii)	Esso Standard Eastern Inc.	(ESSO)
(iii)	Caltex (India) Ltd.	(Caltex)
(iv)	Indian Oil Corporation Ltd.	(IOC)
(v)	Burmah Oil Co. (India Trading) Ltd.	[BOC (IT)]
(vi)	Indo-Burma Petroleum Co. Ltd.	(IBP)
(vii)	Western India Oil Distributing Co. Ltd.	(WIODC)

With the first five Companies are associated refining Companies whose products are marketed by them. Most of the business in Lubricants, Greases and Specialties is also in their hands.

3.2 Burmah Shell Oil Storage and Distributing Company of India Limited.

3.2.1 There has been no change in the corporate status of the Burmah Shell Oil Storage and Distributing Company of India Limited (BSM) since the Oil Price Enquiry of July, 1961. The share capital was raised from 10 million pound sterling to 25 million pound sterling on 31st May 1963.

3.2.2 The management of Burmah Shell is controlled by the Board of Directors in London. In India, the Company has its Head Office in Bombay. There are 4 Branches with the branch Head-Offices in Bombay, Madras, Calcutta and New Delhi and each Branch controls the Divisional Offices, Depots etc. in its respective jurisdiction. As on 31st December 1963, the Company had 8 port-wise installations at Kandla, Okha, Bombay, Marmagoa, Cochin, Madras, Vishakhapatnam and Calcutta, 146 Company owned up-country depots, 4,128 Retail Pump Outlets (some having more than one pump) and 41 Airfield Outlets.

3.2.3 Burmah-Shell's marketing covers the whole of India including Jammu and Kashmir, and Goa from 1st January 1962, except Assam, Manipur and Tripura, which area is reserved for the BOC(IT) Ltd. a wholly owned subsidiary of Burmah Oil Company Ltd.

3.3 Burmah-Shell Refineries Limited (BSR)

3.3.1 Burmah Shell Refineries Limited incorporated under the Indian Companies Act went on stream on 31st January 1955. As on 31st December, 1964, the capacity of the refinery in terms of Crude through-put was 3·75 million tonnes.

3.3.2 BSM buys the crude, gets it processed at BSR on payment of a processing fee and takes over the products for distribution. The processing fee is based on the value of crude oils processed (without the discounts) and the refined products outturned (without applying the OPEC discounts).

3.4.1 The trading results as per published accounts of the Companies for the years 1961 to 1963 are indicated below:—

(In million)

	1961	1962	1963
(A) Burmah Shell (Marketing)			
	Rs.	Rs.	Rs.
(a) Average fixed Assets	115·90	118·05	127·84
(b) Average working capital	416·43	400·32	423·48
(i) Average capital employed	532·33	518·37	551·32
Financed by :			
(c) Share capital	133·57	133·57	233·74
(d) Reserves and surplus	39·01	38·42	37·34
(e) Loans	374·01	360·20	296·74
	546·59	532·19	567·82
(f) *Less* applicable to investments, etc.	14·26	13·82	16·50
(ii) Total	532·33	518·37	551·32
(iii) Turnover	1821·15	1976·00	2324·7
(iv) Quantity sold (Million KL)	4·72	5·11	5·27
(v) Profit prior to provision for taxation Rs./Million	91·03	64·84	81·17
(vi) Percentage of profit on capital employed	17·10	12·51	14·72
(vii) Percentage of profit on turnover	5·00	3·28	3·49
(viii) Profit per KL sold Rs.	19·29	12·68	15·41
(B) Burmah Shell Refineries Ltd. (BSR)			
(a) Average fixed assets	168·51	159·25	146·01
(b) Average working capital	29·86	31·07	26·36
(i) Capital employed	198·37	190·32	172·37
Financed by :			
(c) Share capital	141·79	145·38	145·38
(d) Reserves and surplus	127·26	120·58	111·40
(e) Loans	85·84	84·50	84·50
	354·89	350·47	341·28

(In million)

	1961	1962	1963
(B) Burmah Shell Refineries Ltd. (BSR)—*contd.*			
	Rs.	Rs.	Rs.
(*f*) *Less* applicable to investments, etc. . .	156·52	160·16	168·91
(*ii*) Total	198·37	190·31	172·37
(*iii*) Profit prior to provision for taxation. Rs./million	55·42	69·51	63·10
(*iv*) Percentage of profit on capital employed	27·94	36·52	36·61

3.4.2 The profitability position of the integrated refining and marketing operations is given below:—

	1962	1963
(*i*) Profit prior to provision for taxation. Rs./million	134·35	144·27
(*ii*) Average capital employed. Rs./million .	708·69	723·68
(*iii*) Percentage of profit on capital employed .	8·96	19·93

3.4.3 The discounts on imported deficit products as envisaged by the OPEC are not reflected in the above, as the marketing company has failed to obtain these discounts. In case it had obtained these discounts, the combined profitability would have been Rs. 143·5 million or 20·26 per cent on capital employed in 1962 and Rs. 149·4 million or 20·65 per cent. on capital employed in 1963.

3.5 Esso Standard Eastern Inc. (ESSO)

3.5.1 The South East Asia Division of Esso Standard Eastern Inc. is a branch of the Esso Standard Eastern Inc. of New York and a wholly owned affiliate of Standard Oil Company (New Jersey) and is in charge of the marketing and distribution activities in Burma, Ceylon, Nepal and India with Bombay as its Head Office. Esso came into being on March 30, 1962, with the reorganisation and renaming of the Standard Vacuum Oil Company (SVOC), which was owned jointly by Standard Oil Company, New Jersey and Socony Vocuum Oil Company, New York. All the shares of Esso Standard Eastern Inc. are held by Standard Oil Company, New Jersey. The accounts of the company are closed at the end of December every year and are made out separately for India operations, which include also the operations in Goa from 1st January 1962 and the Indo-Stanvac Petroleum Project (Exploration and Leasing), but exclude the refinery operations. The Indo-Stanvac Petroleum Project (Exploration and Leasing) was closed in 1960 as the agreement for exploration was terminated on December 15, 1960 but the residuary assets and liabilities of the project are still reflected in the published accounts of India operations. The accounts of the India operations do not exhibit any separate paid up capital and the entire excess of assets

over liabilities is transferred to the account of ESSO's overseas Head Office. Esso Standard Eastern Inc. controls the India operations and the administrative control of the marketing operations in India is exercised by the General Manager at Bombay since May, 1959.

3.5.2 The Company has 4 Territorial Offices at Bombay, Calcutta, Madras and Delhi. As on 31st December 1963, the Company had 7 port installations at Kandla, Okha, Bombay, Marmagoa, Cochin, Madras and Calcutta, 117 Company owned up-country Depots, 1,645 Retail Pump Outlets (some having more than one pump) and 37 Airfield Outlets.

3.6 Esso Standard Refining Company of India Ltd. (ESRC)

3.6.1 This is a public limited company incorporated under the Indian Companies Act. All the equity shares of the company amounting to Rs. 22·50 million are held by ESSO Standard Eastern Inc. and its nominees while all the preference shares of Rs. 7·50 million have been allotted to Indian investors. The accounts of the company are maintained at the General Manager's Office, Bombay and for these and other services rendered by that office proportionate charges are debited to ESRC. ESRC went on stream in 1954 and its present refining capacity is 2·5 million tonnes of crude.

3.6.2 ESRC imports and owns the crude and supplies the refined products to ESSO on the basis of import parity without taking into account the OPEC discounts. The discount on crude is retained by the refinery.

3.7.1 The trading results as per published accounts of the Companies for the years 1961 to 1963 are indicated below:—

(In Million)

	1961	1962	1963
(A) ESSO			
(*a*) Average fixed assets	72·74	82·05	94·16
(*b*) Average working capital	232·72	243·91	273·78
(*i*) Average capital employed	305·46	325·96	367·94
Financed by :			
(*c*) Accounts with New York Office	221·37	232·73	238·85
(*d*) Reserves and surplus	5·66	13·81	22·25
(*e*) Loans	83·26	85·79	115·44
	310·29	332·33	376·54
(*f*) Less applicable to investments, etc.	4·83	6·37	8·60
(*ii*) Total	305·46	324·96	367·94

(In Million

	1961	1962	1963
(A) ESSO—*contd.*			
(*iii*) Turnover (Rs./Million)	959·38	1050·96	1242·74
(*iv*) Quantity sold (Million KL) . . .	2·89	3·12	3·29
(*v*) Profit prior to provision for taxation (Rs./Million)	11·87	25·86	17·15
(*vi*) Percentage of profit on capital employed	3·89	7·93	4·66
(*vii*) Percentage of profit on turnover .	1·24	2·46	1·38
(*viii*) Profit per KL sold Rs.	4·10	8·28	5·22
(B) BSRC			
(*a*) Average fixed assets	104·71	99·07	92·84
(*b*) Average working capital	94·71	121·38	140·72
(*i*) Capital employed	199·42	220·45	233·56
Financed by :			
(*c*) Share capital	30·00	30·00	30·00
(*d*) Reserves and surplus	99·67	115·05	126·60
(*e*) Loans	73·17	78·26	78·70
	202·84	223·31	235·30
(*f*) *Less* applicable to investments, etc. . .	3·42	2·86	1·74
(*ii*) Total	199·42	220·45	233·56
(*iii*) Profits prior to provision for taxation Rs./Million	36·03	41·12	40·66
(*iv*) Percentage of profit on capital employed	18·08	18·65	17·41

3.7.2 The combined profitability position of ESRC and ESSO is as under:—

	1962	1963
(*i*) Profit prior to provision for taxation. Rs./Million	66·98	57·81
(*ii*) Average capital employed Rs./Million .	546·41	601·50
(*iii*) Percentage of profit on capital employed .	12·26	9·61

3.7.3 The discounts on imported deficit products as envisaged by the OPEC are not reflected in the above, as Esso has failed to obtain these discounts. If Esso had obtained these discounts, the combined profitability would have been Rs. 72·96 million or 13·35 per cent. on capital employed in 1962 and Rs. 63·41 million or 10·54 per cent. on capital employed in 1963.

3.8 Caltex (India) Limited

3.8.1 There has been no change in the constitution or activities of this company since the Oil Price Enquiry of July, 1961. The company imports petroleum products for distribution and also imports crude oil for refining in India. The share capital of the company has remained at Rs. 45·482 million since 1960.

3.8.2 The Head Office of the Company is in Bombay and the four district offices in Bombay, Calcutta, Madras and Delhi. As on 31st December 1963, the company had six portwise installations at Kandla, Bombay, Cochin, Madras, Vishakhapatnam and Calcutta, 117 Company owned Depots and 1,364 Retail Pump Outlets (some having more than one pump).

3.9 Caltex Oil Refining (India) Ltd. (CORIL)

3.9.1 M/s. Caltex Oil Refining (India) Ltd. (CORIL), was formed in 1954 for the establishment of the oil refinery at Vishakhapatnam, to refine crude supplied by M/s. Caltex (India) Ltd. The refinery commenced production in 1957. It has a built-in capacity of 1·5 million tonnes per year but the crude run is restricted to the licenced capacity of 1·05 million tonnes.

3.9.2 The arrangement between Caltex Marketing and Refinery is that Caltex imports and owns the crude and pays CORIL a process fee on a slab rate per barrel of crude depending upon the crude throughout.

3.10.1 The trading results as per published accounts of the companies for the years 1961 to 1963 are indicated below:—

(Rs./Million)

	1961	1962	1963
(A) **Caltex (Marketing)**			
(*a*) Average fixed assets	63·38	66·00	64·97
(*b*) Average working capital	161·80	158·90	154·79
(*i*) Average capital employed	225·18	224·90	219·76
Financed by:			
(*c*) Share capital	45·48	45·48	45·48
(*d*) Reserves and surplus	(—)0·10	(—)1·71	(—)0·62
(*e*) Loans	68·47	69·66	70·21
(*f*) Inter Co. accounts	115·52	114·32	108·38
	229·37	227·75	223·45

(A) **Caltex Markeiing**—contd.

(Rs./Million)

	1961	1962	1963
(*g*) *Less* applicable to investments etc. .	4·19	2·85	3·69
(*ii*) Total	225·18	224·90	219·76
(*iii*) Turnover	616·63	675·89	813·33
(*iv*) Quantity sold (Million KL) . . .	1·73	1·84	1·97
(*v*) Profit prior to provision for taxation Rs./Million	2·65	3·93	8·79
(*vi*) Percentage of profit on captal employed	1·18	1·75	4·00
(*vii*) Percentage of profit on turnover .	0·43	0·58	1·08
(*viii*) Profit per KL sold	1·53	2·14	4·45
(B) Caltex Oil Refining (India) Ltd.			
(*a*) Average fixed assets	111·46	103·20	94·86
(*b*) Average working capital	6·38	0·28	(—)0·66
(*i*) Capital employed	117·84	103·48	94·20
Financed by :			
(*c*) Share capital	45·00	45·00	45·00
(*d*) Reserves and surplus	59·40	58·48	49·20
(*e*) Loans	13·44	..	..
Less applicable to investments, etc. . . .	..	..	..
(*ii*) Total	117·84	103·48	94·20
(*iii*) Profit prior to provision for taxation Rs./ Million	16·51	7·46	6·59
(*iv*) Percentage of profit on capital employed	14·01	7·21	7·00

3.10.2 The combined profitability position of CORIL and Caltex is given below :—

(Rs. Million)

	1962	1963
(*i*) Profit prior to provision for taxation	11·39	15·38
(*ii*) Average capital employed	328·38	313·96
(*iii*) Percentage of profit on capital employed	3·47	4·90

3.10.3 The discounts on imported deficit products as envisaged by OPEC do not appear in the above as Caltex has also failed to obtain them. The inclusion of such discounts would improve the combined profitability to Rs. 17·33 million or 5·28 per cent. on capital employed in 1962 and Rs. 21·09 million or 6·71 per cent. on capital employed in 1963.

4.11 Indian Oil Company Limited (IOC)

3.11.1 IOC was a Government undertaking and was incorporated as a company on 30th June, 1959, with an authorised capital of Rs. 120 million for the marketing and distribution of petroleum products in the country. As on 31st March 1964, 47,725 equity shares of Rs. 1,000·00 were issued as fully subscribed for Rs. 47,725,000. On that date a further sum of Rs. 2,000,000 was received by the company towards the allotment of shares and the allotment was awaited. With effect from 1st September 1964 Indian Oil Company Ltd. and Indian Refineries Ltd. were merged into Indian Oil Corporation Ltd. with head-office at Bombay. It comprises two divisions—Marketing Division and Refineries Division.

3.11.2 The Marketing Division of Indian Oil Corporation Ltd. has four branches in India with branch head offices at Bombay, Madras, New Delhi and Calcutta, and each branch controls the district sales offices, Installations, Depots, etc. in its respective jurisdiction. As on 31st May, 1964, IOC had 7 portwise installations at Kandla, Okha, Bombay, Cochin, Madras, Vishakhapatnam and Calcutta, 14 district sales offices, 103 upcountry depots (77 controlled directly by the company), 624 consumer pumps and 171 retail outlets of which 21 were operated directly by the company, some having more than one pump.

3.11.3 The accounts of IOC are closed as at 31st March each year.

3.12 Indian Refineries Limited (IRL)

3.12.1 Indian Refineries Limited was a Government undertaking and was incorporated as a private limited company in August 1958 with the main object of refining and manufacturing of petroleum products. Effective from 1st September 1964 IOC and IRL were merged to form the Indian Oil Corporation Limited. The Company was entrusted with the management and control of the two refineries planned to be established in the public sector at Gauhati and Barauni. The authorized capital for the company was Rs. 300 million (300,000 equity shares of Rs. 1,000 each) which was increased in 1963-64 to Rs. 500 million (500,000 equity shares of Rs. 1,000 each) in order to cover the construction of the Gauhati-Siliguri and the Haldia-Barauni-Kanpur pipelines projects.

3.12.2 With the initial rated capacity of 0·75 million tonnes, the Gauhati Refinery was constructed with the technical cooperation of M/s. Industrial Export, Rumania and started functioning from 26th December, 1961. The refinery at Barauni with an initial rated capacity of 2 million tonnes was constructed with the technical collaboration of USSR. The first one million tonne processing capacity of the refinery was commissioned in July, 1964.

3.13.1 The trading results as per published accounts for the years 1962-63 and 1963-64 for the marketing and refining operations are indicated below:—

(Rs./Million)

	1962-63	1963-64
A) Indian Oil Company Ltd. (before merger)		
(*a*) Average fixed Assets	21·09	46·48
(*b*) Average working capital	23·31	83·78
(*i*) Average capital employed	44·40	130·26
Financed by :		
(*c*) Share capital	27·45	38·72
(*d*) Reserves and surplus	2·17	9·82
(*e*) Loans	22·50	97·23
(*f*) Money received from Govt. awaiting allotment of shares	3·53	2·25
	55·65	148·02
Less applicable to investments, etc.	11·25	17·76
(*ii*) Total	44·40	130·26
(*iii*) Turnover	284·04	700·59
(*iv*) Quantity sold (million KL)	0·69	1·20
(*v*) Profit prior to provision for taxation Rs./million	9·01	17·05
(*vi*) Percentage of profit on capital employed	20·29	13·09
(*vii*) Percentage of profit on turnover	3·17	2·43
(*viii*) Profit per KL sold Rs.	13·13	14·21
(B) Indian Refineries Limited (before merger)		
(*a*) Average fixed assets	262·35	426 12
(*b*) Average working capital	30·20	53·75
(*i*) Capital employed	292·55	479·87
Financed by :		
(*c*) Share capital	228·50	293·00
(*d*) Reserves and surplus	..	..
(*e*) Loans	128·05	269·65
(*f*) Application money pending allotment of shares	4·00	4·00
	360·55	566·65
(*g*) *Less* applicable to investments, etc.	68·00	86·78
(*ii*) Total	292·55	479·87
(*iii*) Profit prior to provision for taxation Rs./million	(—)2·84	11·59
(*iv*) Percentage of profit on capital employed		

3.13.2 The integrated position of the refinery and marketing companies is as under:—

(Rs./million)

	1962-63	1963-64
(*i*) Profit prior to provision for taxation etc.	6·17	28·64
(*ii*) Average capital employed	336·95	610·13
(*iii*) Percentage of profit on capital employed	1·81	4·69

3.14 Burmah Oil Company (India Trading) Ltd. [BOC(IT)]

3.14.1 This company is a wholly owned subsidiary of Burmah Oil Company Limited, London. The paid-up capital of the company as on 31st December 1963 stands at Rs. 6·678 million made up of 500,000 shares of £ 1 each fully paid up (all shares being held by BOC, London).

3.14.2 There is no main installation of this Company in Assam. The main installations at Tinsukia and Digboi through which refined products find their outlet are owned by the Assam Oil Company Limited.

3.14.3 The Company has 5 Inland Depots (at Badarpurghat, Tinsukia, Agartala, Pandu and Silchar); 99 Retail Pump Outlets (some having more than one pump) and 6 Airfield Outlets. Badarpurghat depot is directly operated by BOC (IT) Ltd., Tinsukia Aviation Depot is owned and operated by AOC for BOC (IT) Ltd., and the remaining three depots at Agartala, Pandu and Silchar are operated by Agents on behalf of BOC (IT) Ltd.

3.14.4 According to the agreement between BOC (IT) Ltd., and AOC effective from 1st January 1964, BOC (IT) gets the following rates of commission on the gross proceeds *i.e.* on the actual invoice value of the goods:—

Kerosene	2½%
Benzene	2½%
Gas Oil	2½%
Lubricants (including Jute Batching Oil)	2½%
Fuel Oil and Diesel Oil	1%
Asphalt and other petroleum road making materials	2½%
Wax	5%

3.14.5 The published accounts of the company from 1962 show only the revenues from the sales of imported products and charges thereon along with the commission and rentals realised from AOC for the

sale of products in its marketing area as also the commission received for the sale of Shell products. The sales realisation and charges on these products are not shown in the published accounts. Moreover, all the marketing facilities are not owned by BOC (IT) and the capital cost of the Tinsukia installation and pipelines appear in the books of AOC. Again, till the end of 1961, the company was one of the consignor companies of Burmah Shell for supply of crude and petroleum products and these sales have also been shown in the published accounts of the company till then. An analysis of the published accounts of BOC (IT) alone would not, therefore, give a correct picture of its trading results and financial position. It is understood that the Company would be handing over its entire marketing organisation to AOC in the near future and would cease to operate as a marketing company thereafter. In view of the above reasons, no separate analysis of the published accounts of this company has been given.

3.15 Assam Oil Company Limited (AOC)

3.15.1 Assam Oil Company is a wholly owned subsidiary of Burmah Oil Company Limited, London. The authorised and issued capital of the company as on 31st December, 1963 was Rs. 53·426 million.

3.15.2 AOC is an integrated company engaged in the production and refining of crude. It was started at the beginning of this century. It has at present a refining capacity of 0·5 million tonnes of crude throughout. Crude for refining is also purchased from Oil India Limited.

3.15.3 Besides the bulk petroleum products, the refinery produces bitumen, lubricating oils and various specialities like SBP Spirit, Mineral Turpentine, Sleeper oil, Aromex etc. The refinery also produces wax, the bulk of which is exported.

3.15.4 Till 31st December 1961, AOC was consigning all its products to BOC (IT) Ltd., for sale in Assam areas as well as outside Assam area. Since 1st January, 1962, the company consigns its products to BOC (IT) Ltd. for sale in BOC (IT) marketing area only (Assam, Manipur, Tripura, Nagaland and NEFA). In regard to the products surplus to the requirements in Assam area, it has a direct purchase/sale agreement with M/s. Burmah Shell under which these surplus products are sold to latter company for sale outside Assam supply area. Aromex and wax are consigned to Burmah Shell on commission basis.

3.15.5 The company owns the installations at Tinsukia and Digboi through which its refined products find an outlet. The operating headquarters of both AOC and BOC (IT) are situated in Digboi and the general management, services and overheads are common for both and are initially borne in the books of AOC.

3.16.1 The trading results as per published accounts for the years 1961, 1962 and 1963 are indicated below:—

BOC (IT) & AOC (COMBINED)

(Rs. million)

	1961	1962	1963
(*a*) Average fixed assets	16·40	16·30	16·20
(*b*) Average working capital	69·90	70·20	66·30
(*i*) Average capital employed	86·30	86·50	82·50
Financed by :			
(*c*) Share capital	12·00	12·00	12·00
(*d*) Share premium	3·30	3·30	3·30
(*e*) Amount capitalised ex-Reserves	48·10	48·10	48·10
(*f*) Reserves	22·90	23·10	19·10
(*ii*) Total	86·30	86·50	82·50
(*iii*) Turnover	201·60	216·70	246·90
(*iv*) Quantity sold (million KL)	0·51	0·53	0·55
(*v*) Profit prior to provision for taxation Rs./million	35·80	18·10	(—)0·70
(*vi*) Percentage of profit on capital employed	41·50	20·90	..
(*vii*) Percentage of profit on turnover	17·76	8·35	..
(*viii*) Profit per KL sold Rs.	69·70	34·30	..

3.17 Indo-Burma Petroleum Company Ltd. (IBP)

3.17.1 Since the last Oil Price Enquiry of July, 1961 there has been no change in the structure of this company. It has two portwise installations at Bombay and Calcutta, two upcountry company-operated depots at Lucknow and Shakurbasti (Delhi). In addition, it has 39 company-owned Agency operated Bulk Depots and 6 Packed Storage Depots. The company has also arrangements with M/s. Burmah Shell Oil Storage and Distributing Company of India Limited to utilise their upcountry depots, wherever required. The number of Retail Pump outlets owned by the company as on 31st December 1963 was 336 (some having more than one pump).

3.17.2 The Company receives its requirements of petroleum products from Burmah Shell for sale in the area served by Burmah Shell and from BOC (IT) Ltd. for sale in BOC (IT) Ltd.'s area in Assam. In addition, it imported some quantities of petroleum products on its own account upto 1963, but such imports stopped completely with effect from 1st January 1964. From this date, the company entered into an agreement with Burmah Shell according to which supplies of major products drawn by IBP from Burmah Shell would be on consignment account only. IBP's remuneration for sales on consignment account as laid down in this agreement, ranges from Rs. 4·41

per metric tonne for furnace oil to Rs. 16·37 per K.L. for Motor Spirit. Payments to Burmah Shell are to be made at MI ceiling selling prices in force from time to time *less* Administration, installation and Distribution charges as specified in the OPEC price formula. Supplies of products such as Bitumen, Mineral Turpentine, Lubricants and Greases are on a purchase and sale basis, according to the requirements of IBP, at rates not less favourable than those enjoyed by other customers of Burmah Shell in India. Prior to 1st January 1964 there was no written agreement with Burmah Shell and IBP's remuneration on consignment sales was on the basis of commission of 2½ per cent. on gross proceeds for products other than LDO. For LDO the commission was 1 per cent. on the gross sale proceeds. In the case of products obtained from BOC (IT) Ltd. the sales are made in Assam area on company's own account and payments to BOC (IT) are made at landed Calcutta cost plus BOC (IT)'s rate for any function through which the products pass.

3.17.3 The trading results as per published accounts for the years 1962 and 1963 are indicated below:—

Indo-Burma Petroleum Company Ltd.

(Rs./million)

	1962	1963
(*a*) Average fixed assets	5·77	6·15
(*b*) Average working capital	10·34	12·53
(*i*) Average capital employed	16·11	18·68
Financed by··		
(*c*) Share capital	15·00	15·00
(*d*) Net Reserves	21·88	17·45
(*e*) Loans	1·56	1·65
	38·44	34·10
Less applicable to investments, etc.	22·33	15·42
(*ii*) Total	16·11	18·68
(*iii*) Turnover	142·36	134·66
(*iv*) Quantity sold (Million KL)	0·24	0·23
(*v*) Profit prior to provision for taxation Rs./million	5·00	4·87
(*vi*) Percentage of profit on capital employed	31·07	26·09
(*vii*) Percentage of profit on turnover	3·51	3·62
(*viii*) Profit per KL sold Rs.	20·51	21·28

3.17.4 The above reflects the trading results of the Company's activities not only in India but also Pakistan and Burma in 1962 and Pakistan in 1963. There was no trading in Burma in 1963. No separate figures for India are available.

3.18 Western India Oil Distributing Company Ltd. (WIODC)

3.18.1 This is a wholly Indian owned oil company in the private sector. There has been no change in the corporate status of this company since the OPEC enquiry. The share capital—authorised and subscribed—stood at Rs. 2·5 million as on 31st December, 1963.

3.18.2 With headquarters at Bombay, the company has two Branch offices at Bombay and Madras, with one Port Installation at each Branch. The company had twenty-nine upcountry Depots in 1963. The company distributes only Superior Kerosene and High Speed Diesel Oil.

3.18.3 The trading results as per published accounts for the years 1961/63 are as under:

(Rs. in million)

	1961	1962	1963
1. *Average Capital Employed*:			
Average net fixed assets	1·34	1·35	1·42
Working capital	2·36	1·74	2·03
	3·70	3·09	3·45
2. *Financed by*:			
Average share capital	2·50	2·50	2·50
Reserves and surplus	1·13	1·15	1·21
Loans	0·76	0·22	0·49
	4·39	3·87	4·20
Less applicable to investments, etc.	0·69	0·78	0·75
	3·70	3·09	3·45
3. Turnover	24·57	24·31	34·21
4. Quantity sold million K. Litres	0·10	0·09	0·10
5. Profits prior to provision for taxation and interest	0·61	0·52	0·29
6. % of Profit on capital employed	16·54	16·77	8·51
7. % of Profit on turnover	2·49	2·13	0·86
8. Profit per KL sold Rs.	6·15	5·54	3·06

CHAPTER 4—Cost of imported crude

4.1 The price of crude oil is a major element in the products costs. The refinery at Visakhapatnam presently processes imported crudes only. The two refineries at Bombay process mainly imported crude but also use some indigenous crude from the Gujarat oil-fields. The public sector refineries at Gauhati and Barauni exclusively process indigenous crude supplied by Oil India Ltd., while the AOC Refinery at Digboi processes the crude obtained from its own oil-fields in Assam supplemented by crude obtained from Oil India Ltd. The price of the indigenous crude for the Bombay Refineries is linked to the price of imported crudes. Gauhati and Barauni Refineries pay for their crude on import parity basis whereas the AOC pays for the Oil India crude on the basis of a formula referred to in paragraph 5.3. Therefore, the price of the imported crude has an important bearing on product costs.

4.2 The total quantities of crude imported and the foreign exchange expenditure involved in 1962, 1963 and 1964 were:—

	Quantity imported in million tonnes	Value Rs./million
1962	6·00	387·00
1963	6·52	418·00
1964	6·80	426·00

4.3 In addition to the above, the inland and the two coastal refineries used indigenous crude totalling 1·05 million tonnes in 1962, 1·52 million tonnes in 1963 and 2·18 million tonnes in 1964. With the extension of existing refineries and the construction of new units planned during 1966—70, the annual requirement, according to the information made available to us will rise by 1970 to about 23·00 million tonnes—about 6·50 million tonnes indigenous and 16·50 million tonnes imported. These estimates do not include the requirements of the refinery of 2·5 million tonnes planned for North-Western India as information regarding crude to be used in this refinery is not available. The foreign exchange outgo will increase from about Rs. 430 million at present to over Rs. 1,000 million annually, unless increased supply of indigenous crude becomes available. The price of the imported crude is therefore important from this angle also.

I. Rights of the oil companies under the Refinery Agreements regarding Import of Crude Oil

4.4.1 In the agreements made by the Oil Companies with the Government of India in the years 1951 and 1953, under which the three coastal refineries have been established, the Oil Companies have been given the freedom to make arrangements for importing crude oil from source of supply of their own selection, subject to the obligation to use under certain conditions crude oil produced in India. Assurance has been given to the companies for release of foreign exchange as required, for the purpose of importing crude oil.

4.4.2 In the agreements for ESSO and Caltex refineries, it is mentioned that the purchase will be made at world market prices prevailing at the time and place of shipment. There is no similar provision in the Burmah-Shell agreement but we feel that all the oil companies have an obligation to import crude at the lowest possible prices.

4.4.3 The oil ports in the Persian Gulf have generally been built by two or more big oil companies to provide an outlet for the oil-fields in the hinterland jointly owned and operated by them. Competition in the ordinary sense can hardly be expected as the large companies in the Middle East are engaged in a number of interlocking joint ventures which almost certainly limit in some degree at least their inclination or ability to act independently in the market place.* The three oil Companies, however, contend that the prices paid by them for import are the best competitive prices obtainable in the world market.

II. Arrangements for supply

4.5 (a) Burmah-Shell Refinery:

4.5.1 This refinery has been established at Trombay by the Burmah Shell Refineries Ltd. (BSR) a public company promoted in India by Burmah Oil Company Ltd. and Anglo-Saxon Petroleum Company Ltd., which has become Shell Petroleum Company Limited, a Company of the Shell Group. Crude is supplied for refining by Burmah Shell Oil Storage and Distributing Company of India Ltd. (BSM), and the products are taken over by the same company for sale. The crude and the products remain throughout the property of BSM and BSR gets only a processing fee. BSM as "Buyers" purchase their crude from two "Sellers", namely, Petroleum Supplies and Services Ltd., and Shell International Petroleum Company Ltd., under 15 years contracts, effective from 1st January 1962. The Buyers are required to purchase their entire requirements, roughly in the ratio of 50:50, from the two Sellers. The price to be charged shall be, according to both contracts, "fair and commercial" and "shall be established in advance in periodical negotiation", having regard to the market prices for similar types or grades of crude at all world sources of supply, ocean freight, etc. It is claimed that the terms of the contracts are most favourable in the circumstances,

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*W. A. Leeman—The Price of Middle East Oil—p. 10—Cornell University Press, New York, 1962.

ensuring regular supply and choice of different crudes at most competitive prices. The Sellers are required to buy surplus refinery products, if any. The Sellers are not the producer of the crude themselves and it is said that they do not receive any remuneration for their services from the Buyers.

4.5.2 BSM is not aware which particular Company in the chain of supply actually bears the burden of the discount, not is it aware whether any commission is received by the sellers from the companies actually supplying the crude oil.

4.5.3 BSM which is a subsidiary jointly owned by the Burmah Oil and the Royal Dutch/Shell Group of companies, is a marketing company operating only within India (excluding Assam, Manipur, Tripura and Nagaland). The inter-group relations between BSM and its "Sellers"—PSS and SIPC—and the suppliers appear to be as follows:—

(a) Petroleum Supplies and Services Limited (PSS) is a trading company of the Burmah Oil Group of Companies which has corporate and trading links with the British Petroleum Company Group—the actual suppliers of crude oil and Petroleum products.

(b) Shell International Petroleum Company Ltd. (SIPC) is an international supply and trading company of the Royal Dutch/Shell Group of Companies. Under the terms of these supply contracts:—

(i) another subsidiary or subsidiaries of Burmah Oil Company Limited may be substituted for PSS as the seller or crude oil and petroleum products.

(ii) SIPC may be replaced as sellers of crude oil and petroleum products by N. V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch) or the Shell Transport and Trading Company Limited (Shell Transport) or a subsidiary of Royal Dutch and/or Shell Transport. BOC has large holdings in Shell Transport and British Petroleum.

4.5.4 Royal Dutch and Shell Transport are the parent companies of the Royal Dutch/Shell Group of companies. They do not them selves take part in oil operations. Together they own the two principal group holding companies which in their turn control directly or indirectly the many operating companies which form the Royal Dutch/Shell Group of companies.

4.5.5 This picture, in brief, indicates that the companies concerned at different stages belong to the same groups under the control of Burmah Oil Company and Royal Dutch/Shell and the arrangement is designed to sell the crude oil and products produced in B.P./BOC/Royal Dutch-Shell Groups. Light Crude oil has been purchased during the last few years from one source only, namely, Agha Jari field ex-Bandar Mashur in Iran, which is the oil port of the Consortium in which Royal Dutch/Shell and British Petroleum are participants owning oil.

4.6 (b) Esso Refinery:

4.6.1 This refinery has been established in Trombay island, Bombay, by Esso Refining Company of India Limited (ESRC), a public company promoted in India by Standard Vacuum Oil Co., now Esso Standard Eastern Inc., New York, which is a wholly owned subsidiary of Standard Oil Company of New Jersey and is engaged in all phases of oil business in the East. The Refining Company has been purchasing its crude oil through Esso International Inc., New York, with effect from April 1, 1962, and after refining sells the products to the marketing Company, *e.g.*, Esso Standard Eastern Inc. (Esso) at import parity prices. Esso International Inc. is a wholly-owned subsidiary of Standard Oil Co. of New Jersey and does not produce any oil itself but obtains the oil from the affiliated companies in the Persian Gulf, at posted prices less 1 per cent. and sells the crude to Esso Standard Eastern Inc. at posted prices. This 1 per cent. covers expenses of Esso International Inc., which has similar arrangements for supply of crude oil to affiliated refining companies in other countries.

4.6.2 The burden of the discounts on crude supplies to its different Divisions is borne by Esso Standard Eastern Inc. and is set off against its profits received as dividends on interests in the producing companies.

4.6.3 There is no written contract between the supplier and the purchaser. It is claimed that the terms of supply obtained by Esso are as favourable as, or more favourable than, what existing or potential commercial suppliers may offer, on account of flexibility of supply and types of crude etc. The supplier has given an assurance that it will be competitive with any other commercial supplier of crude on a long term basis. The Refining Company has during the last few years obtained crudes of two or three types from Arabian American Oil Company ("Aramco") ex Ras Tanura, but some supplies of Qatar crude were also obtained ex Umm Said. Standard Oil Company of New Jersey is part owner of Aramco and Qatar Petroleum Companies.

4.7 (c) Caltex Refinery:

4.7.1 This refinery at Vishakhapatnam has been established by Caltex Oil Refining (India) Limited (CORIL), a public company promoted by Caltex (India) Limited under the Refinery Agreement with the Government of India. Crude oil is refined by the refining Company on behalf of Caltex (India) Limited, on payment of a processing fee. Crude oil is purchased by Caltex (India) Ltd., from Caltex (U.K.) Limited from 1st January 1963 under a written contract effective for an indefinite period. The purchaser is bound to purchase its total requirements of crude oil from the seller or seller's suppliers. If the seller/seller's suppliers do not have sufficient crude oil to supply all of seller's customers the purchaser may go to a third party to make good the deficiency of such supply. The price to be paid by the purchaser shall be in accordance with the seller's export market price schedules as established and published from

time to time for the respective port or ports. It is implied in the contract that the oil would come from the seller's suppliers in Saudi Arabia, Iran or Sumatra. No remuneration is paid to the seller by Caltex (India) Limited for the services rendered. The seller gets an allowance from the producer for its expenses, the actual quantum or the basis of which is not known to Caltex (India) Limited. It is claimed that the existing arrangements are the best obtainable under long term commercial operating conditions.

4.7.2 The Company has been importing during the last few years Minas crude from Sumatra and light Iranian crude (Agha Jari) ex Bandar Mashur roughly in the proportion of 1:3. Caltex is the owner of the Minas field. Caltex (or more fully, California Texas Oil Corporation) is jointly owned by Texaco Inc. and Standard Oil Company of California and supplies petroleum and its products and holds interests in companies engaged in producing, refining, marketing and transportation in Eastern Hemisphere. The parent companies, who are two of the International 'majors', are participants in the Iranian Consortium and other companies producing oil in the Persian Gulf. Caltex (India) Limited and Caltex (UK) Limited are marketers of Caltex products.

4.7.3 In respect of both crudes the burden of the discounts is borne by the respective suppliers.

4.8 The above examination of the arrangements for crude made for the three refineries by these oil companies claiming freedom to do so from sources of their own selection shows that the arrangements are intended to dispose of the oil produced by their principals, the big International Oil Companies and/or their affiliates or subsidiaries. The conditions do not permit of price fixing by free and full competition. In these circumstances, it is difficult to accept the contention of the Oil Companies that the prices obtained by them are fully competitive and the most favourable in the world market. This will be more clear when the prices paid by the Oil Companies are considered in relation to what is known about the prices in general. In this connection, Leeman has pertinently observed that "the operating companies rarely sell oil in the open market. Most of the oil produced and refined in the Middle East is turned over to the parent companies or rather, to affiliates under their control*". Crude oil has been in over-supply for some years and the sagging tendency in prices evident for so long has persisted during 1964. (Petroleum Press Service, December 1964). Disposal of crude is a matter of much importance in the present market.

4.9 The Oil Companies have pleaded ignorance of the terms on which transactions take place between the original producers and their sellers. On this aspect we refer to the study made by Leeman,** who has shown on an examination of the relevant documents that in the case of Aramco—from whom supplies are obtained

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*Ibid p. 10.

**Ibid p. 21.

currently by Esso, the discount off the posted price is charged to the account of the partner on whose behalf such sale has taken place. This arrangement explains the reluctance of Esso to concede higher discounts, as these will further reduce the profits of its principals, owning substantial share of Aramco.

4.10 The agreement between the companies in the Iranian Consortium has not been published but it is possible that their procedure of sale equally discourages Burmah Shell and Caltex (India) Ltd., in establishing higher rate of discount on light Iranian crude.

4.11 Unlike countries of Western Europe and some of the countries of Asia, the foreign owned refineries in India are free from internal competition. There are no 'independent' refiners in India to compete. The public sector refineries with their total output in 1964 of 0·90 million tonnes only, have not yet attained adequate stability of operation and also suffer from other handicaps and offer no real competition. Indigenous crude cannot replace the crude imported by them except to a very limited extent. In such a position it is not surprising that the Oil Companies have had little urge to obtain better discounts on crude supplies in a falling market. The discounts hitherto obtained have gradually resulted from forces other than commercial competition, such as pressure exerted by Government from time to time.

I. Price of Persian Gulf Crude

4.12 The prices of different crudes are "posted" or published by the international Oil Companies at the oil ports, but a "temporary" discount or "indulgence" (as one oil company would prefer to call it) is allowed under the counter and the net f.o.b. is thus determined. The discount is not published. It is difficult for an outsider to judge whether the prices paid in particular cases are fully competitive in relation to the market conditions. Crude oil has been a buyer's market for a long time and 1964 has done nothing to reduce the pressure of supplies. (Petroleum Press Service December 1964). But the posted prices have not been changed since October, 1960. One reason for this may be that the Governments of the producing countries do not like any change to be made in the posted prices as their share of the oil profits is calculated on such prices. Discounts on the posted prices have steadily increased with the result that the published prices have tended to become unrealistic. Prof. Leeman in his study of the Middle East Oil doubts "that posted prices in the Middle East actually reflect fundamental market forces in view of the fact that they are not established by arm's length bargaining in the open market; affiliated buyers and sellers are not free to take their trade elsewhere, to go to competitors, if they are unhappy about the price*". Prof. Leeman mentions on the basis of reports in Petroleum Week that cash discounts ranging from* 10 to 35 cents per barrel on posted prices ranging between \$ 1·80 to \$ 2·00 per barrel were allowed frequently on Middle East Oil between October

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*Ibid pp 3 and 4.

1956 and February 1960. The posted prices during this period were:—

(cents per barrel)

	Light Iranian (Agha Jari)	Aramco (new name—Arabian Light)	Safaniya (new name—Arabian Heavy)
API Gravity	34—34·9	34—34·9	27—27·9
1956 Decemb.	191	193	N.Q.
1957 April	191	193	168
1957 July	204	208	179
1958 September	204	208	165
1959 February	186	189	150
1959 October	186	190	150
1960 August	174	176	146
1960 September	178	176	146
1960 October	178	180	147

4.13 Discounts have been introduced on purchases of crude for the refineries in India in June, 1960, for the first time.

4.14 The changes in discounts since 1960 have been as follows:—

(Discount in cents per BBL)

	Iranian Light Crude (Agha Jari)		Saudi Arabian Crude			
			ESSO			
	BSR	Caltex	Aramco (New name —Arabian Light)	Safa niya (New name — Arabian Heavy)	Khursaniyah (New name Arabian Medium)	Qatar Umm Said
API Gravity	34—34·9	34—34·9	34—34·9	27—27·9	31—31·9	41—41·9
1960, June	18·5	19·0	19·0	16·0	3·0	19·0
1962, Jan.	21·0	[illegible]	21·0	,,	,,	21·0
1962, March	,,	21·0	,,	,,	,,	,,
1965, 1st Jan.	[illegible]	23·0	23·0	,,	,,	,,

The posted price of light Iranian crude has remained unchanged at 178 cents, of Aramco at 180 cents and of Safaniya at 147 cents since October 1960. During the three years 1962—1964, the posted prices remained unchanged, so also the discounts and consequently the net f.o.b. prices. During the course of this enquiry the discount on Iranian Light (Agha Jari) and Aramco has been increased by 2 cents from 1st January 1965. There has been a further increase in discount from 1st July 1965, *vide* para. 4.28. The discount on the heavier Safaniya crude and its net f.o.b. price have not been changed since June 1960. There are reports of higher discounts in a number of cases in Platt's Oilgram Service, which the oil Companies have characterised as spot or distress sales and argued that unless full circumstances were known they could not be compared with long term arrangements, like theirs.

4.15 Though the market had been falling for some years continually according to different reports, the prices charged for crude for the refineries during these three years were not changed.

4.16 In its issue of December 28, 1964, the Financial Times, London, gives the following review of the world oil market:

> "The Oil Companies' hope that 1964 would see an end to the downward trend of oil prices have been disappointed. During 1963 the discounts off the official posted prices grew more slowly than in the previous years and 12 months ago it was thought that a plateau might have at last been reached. But in the event the decline has continued. It has not been rapid or spectacular, although in the last couple of months or so there have been signs that the pace of descent may be accelerated in 1965. Accurate figures are difficult to obtain. But for the light Middle Eastern crudes a discount of 45 cents off the posted price of about $ 1·80 a barrel is now a reasonable figure. For the heavier types it is much less. The cause of the trouble is simple. Crude Oil is still a buyer's market. World demand for petroleum is continuing to rise rapidly at a rate of about 8 per cent. a year but production and reserves are mounting even more rapidly."

4.17 A more recent review in Platt's Oilgram Price Service No. 55 of 22nd March, 1965 shows that it is not uncommon for discounts to be offered between 30 and 45 cents off Persian Gulf Light Crudes.

4.18 The question arises what should be considered to be an appropriate discount on crude when the actual prices paid by the purchasers are not disclosed or purchasers are affiliates/subsidiaries, without power of bargaining.

4.19. **Light Crudes.**—In this connection we may consider the offers of similar crudes received early in 1964 from some of the major oil companies in connection with the Madras Refinery (2·5 million tonnes per year), coupled with offers of credit and other facilities. The

prices quoted are shown below:—

Crude	Gravity	Posted price in cents per barrel	Discount in cents per barrel
Agha Jari	34—34·9	178	29
Abu Dhabi Ex Das Island	34—34·9	178	29
Basra	35—35·9	172	28
Kuwait	31—31·9	159	25

Since then offers indicating a heavier fall in the prices of light crudes have come to our notice.

4.20 An offer of nearly 2 million tonnes in the course of three years, with prospect of further supply of Agha Jari crude at a discount of 36 cents ex-Bandar Mashur with Government, having the option to take a percentage of Murban crude (39—39·90 API) at a discount of 38 cents has been brought to our notice by the Ministry.

4.21 According to a report in the Petroleum Intelligence Weekly of New York—May 10, 1965, the four Oil companies, Esso, Caltex, Shell and BOC, who jointly operate the refinery at Karachi (2·5 million tons) and import Agha Jari crude at a discount of 23 cents (as in the case of India) have been asked to accept an offer of crude with higher discounts which the Pakistan Government has received or match it with a similar lower priced supply. The offer to Pakistan Government is a 50:50 mixture of 34 gravity Agha Jari crude with a discount of 38 cents and 38-gravity off-shore Abu Dhabi crude with a discount of 46 cents. The oil companies are reported to have made a counter-offer at substantially higher discounts.

4.22 **Medium and Heavy Crudes.**—The posted price and discount on Safaniya crude which is of a heavier type (27°—27·9° API) have remained unchanged at 147 and 16 cents per barrel respectively since June, 1960. The actual price differential between Aramco Crude and Safaniya crude was 30 cents from August, 1960 till the end of 1961 and has now decreased to 26 cents in contrast with the basic difference of 33 cents in the two posted prices. It is difficult to accept the position that the fall in the prices during the last few years has not affected Safaniya crude. Khafji crude of 26—26·9° API, which is produced by Arabian Oil Company from another part of Safaniya field is posted at 142 cents a barrel and is sold for a net price of 126 cents a barrel recently reduced to 125 cents a barrel. The refiners asked for a reduction to 120 cents a barrel but a rebate of one cent a barrel has been allowed retrospectively on last years' purchases (Petroleum Press Service, May 1965, page 197).

4.23 *In response to a call for three years supply with option for fourth year supply ANCAP of Uruguay is reported to have received

*Paltt's Oilgram Price Service No. 14, dated 21-5-65.

in January 1965 offers from a Sales Agent of Standard Oil Company of California (*viz.* California Crude Sales Company) of Safaniya crude 27—27·9 API gravity at $ 1·26 (representing a discount of 21 cents per barrel on the posted price of $ 1·47 a barrel) with offer of $ 1 million loan at 6 per cent. and 180-day letter of Credit. To the same party, Texaco is reported to have offered Khursaniyah Crude 29—29·9° API gravity at $ 1·39 per barrel f.o.b. with offer of $ ·5 million loan at 4·5 per cent. with 180-day open account. Adjusted to the posted gravity of 31—31·9° API, this offer will amount to $ 1·43 per barrel, which will mean a discount of 16 cents per barrel against the discount of 3 cents per barrel only for Khurasaniyah crude of 31—31·9° API given by Esso.

4.24 **Conclusions—Light Crudes.**—We placed the above evidence before the representatives of the Oil Companies in our discussions with them at Bombay. Their argument is that while hundreds of sales have taken place without being reported, no firm conclusion should be drawn from a few stray cases or stunt reports in the Press. It is known that about 90 per cent. of the Oil produced in the Middle East by the major Oil Companies is sold to affiliates who cannot bargain about the prices. Few sales, therefore, attract publicity. The range of discounts for Light Persian Gulf Crude varies, according to Platt's from 30 to 45 cents. According to the Financial Times (London) a discount of 45 cents for light Middle Eastern Crudes is now a reasonable figure. The offers made to the Ministry are for large quantities and for considerable periods. Discounts in such offers vary from 29 cents to 36 cents. These offers give a valuable indication of the market trend. The Oil Companies now arrange to find export market for the surplus products and have exported surplus Motor Spirit and Naphtha in the last few years. After carefully considering all aspects of the matter, we are of opinion that a discount of not less than forty cents is justified for light crudes, such as Agha Jari and Aramco and at least five cents more for lighter crudes (*e.g.* Qatar, Murban etc.).

4.25 **Medium Crude.**—Burmah Shell during discussion stated that they might import Kuwait crude (with a discount of 21 cents) upto 30 per cent. of their import for their Bombay Refinery. Kuwait Crude was offered for Madras Refinery at a discount of 25 cents. Burmah Shell itself made an offer of this crude for Madras with a discount of 23 cents. There is a recent report of the sale of 3 million tons of Kuwait Crude (31—31·9° API) on competitive tender by B.P. to Uruguay (Platt's Oilgram Price Service No. 67 of 7th April 1965) at a discount of 30 cents. We, therefore, consider that Burmah Shell should obtain a minimum discount of thirty cents on this crude.

4.26 We see no reason why the discount on Khursaniyah (new name—Arabian medium) should be any less than the discount on Kuwait crude (*viz.* a minimum of 30 cents a barrel), both having the same gravity and the same posted price of 159 cents a barrel.

4.27 **Heavy Crude.**—We see no justification for maintaining the discount on Safaniya (new name—Arabian Heavy) Crude unchanged from 1960. The discount should be increased to 21 cents.

4.28 We had discussed with the Oil Companies towards the end of May 1965 the evidence available to us (and mentioned in earlier

paragraphs) regarding the price of crude oil in the world market, particularly in the Persian Gulf. We understand that from 1st July, 1965, Burmah Shell and Caltex have offered to increase the discount of 23 cents on Agha Jari crude to 30 cents. Burmah Shell also offered from 1st July, 1965 discount of 25 cents. a barrel on imports of Kuwait crude (31—31·9 API gravity). We consider these discounts inadequate.

4.29.1 We also understand that Esso has offered from the same date a blend of light, medium and heavy Arabian Crudes ex-Ras Tanura with the resultant gravity of 31—31·9° API at a net f.o.b. cost of 140 cents per barrel of the mixture. Esso has not disclosed to Government the names or the proportions of the three crudes forming the mixture. This refinery has been using a mixture of two Arabian Crudes, Aramco (Light) and Safaniya (Heavy) ex-Ras Tanura and in 1964 it imported about 1,245,000 and 1,012,000 tonnes of these two crudes, *i.e.* in the ratio 55:45.. At the price charged heretofore the average f.c.b. cost per barrel of this mixture would be 145·50 cents. By introducing a third crude of intermediate value it is possible to bring down the price from 145·50 cents to 140 cents without giving any further increase in discount on the existing prices and a fall in the prices of these crudes which we have found can thus be countered. If the discounts which have recommended for these crudes are taken into account, the average f.o.b. price of the 55:45 mixture comes to 134 cents.

4.29.2 Under the Refinery Agreement, Esso has undertaken to purchase crude at the "world market prices" and on this condition Government has given the company an assurance that necessary foreign exchange will be released. It is not possible to judge, unless the crudes are identified and composition of the mixture is known, whether the average price is in accordance with the world market price. Government should, therefore, demand that they should be satisfied by Esso that the price asked for in this connection fulfils this condition of the Agreement before required foreign exchange can be made available to the company. In order to satisfy Government that purchase is being made at world market prices, Esso should indicate the constituents and the proportions thereof. We consider that in view of the terms of the Refinery Agreement Esso is under obligation to do so.

II. **Minas Crude from Indonesia**

4.30.1 This crude (35—35·9° API) is imported for Caltex Refinery from the Minas field of Caltex in Sumatra to the extent of about 25 per cent. of the requirements, the balance being met by import of light Iranian Agha Jari crude (34—34·9° API) of approximately the same gravity. The price of this crude is not posted but on the supplier's scheduled price of 196 cents a barrel discount of 13 cents was allowed for the first time on 2nd April 1962. This has been increased to 16 cents from October last as against 19 cents given in the case of supplies to Japan. In our meeting with the representatives of the Company, the reasons for giving a higher discount to Japan were explained, but we were not convinced.

4.30.2 In spite of a considerable freight advantage over light Iranian crude the Minas crude costs nearly Rs. 7·00 per tonne more

on account of the much higher price of the crude. Import of the Minas crude is defended on the ground of its low sulphur content which produces low sulphur fuel, increasingly in demand for the Steel Plants. It is understood that the fuel oil produced ex Barauni is also of a low sulphur content. It may be examined whether it will be suitable for use in Steel Plants. In that event, Government may consider whether it is desirable to allow Caltex to continue to import this high-priced crude unless its delivered cost at Vishakhapatnam is matched with 'Agha Jari' with a suitable premium for its low sulphur content and higher gravity.

4.31 We consider that foreign exchange should be released on the basis of the minimum discounts indicated by us.

Cochin Refinery

4.32.1 This refinery with a capacity of 2·5 million tonnes of crude per annum is expected to start operation toward the end of 1965 and is being set up by the Cochin Refineries Ltd., a public company formed in India under a tripartite agreement between the Government of India taking 51 per cent. of the shares, Phillips Petroleum Company of U.S.A. 25 per cent., Duncan Bros. & Company Ltd. of Calcutta 2 per cent. and the balance by the Indian public and others (as may be determined by the Government of India). For a period of 15 years Phillips will, as agent of the Refinery Company make arrangement for the purchase of imported crude oil on the best terms possible. For the first 10 years the Company shall have a processing margin in rupee equivalent of 135 cents per barrel of crude charged, to be reduced to 130 cents for five years after 10 years. The initial landed cost of the crude oil plus the process margin mentioned above shall not exceed the average products prices ex-refinery in force on the date of agreement (27th April 1963). If the difference of the sale price ex-refinery of the products as determined by Government from time to time and cost of the crude falls below the fixed process margin the Government of India guarantees the attainment of the fixed process margin. The process margin now guaranteed is equivalent to about Rs. 48 per tonne of crude processed. It is found that this margin is higher than the refinery margins of the three established coastal refineries calculated on the above basis. The refining margin of Esso refinery with which Cochin refinery is comparable in size was Rs. 37·51 in 1962 and Rs. 35·84 in 1963. *vide* para. 6.7. Therefore the price of the imported crude is very important from the point of view of the financial guarantee of Government to the refinery. The refinery is not tied to any particular source of crude supply and is free to negotiate in the open market for its crude and should be able to take full advantage of the downward condition in the crude market.

4.32.2 In the exchange of letters of 27th April, 1963 between the Government and Phillips, Phillips have been asked to make a crude oil contract limited to 15 years in the name of the Refinery Company. It is understood that Phillips have negotiated a contract which has not yet been ratified by the Board of Directors of the refinery. The price as reported to us, which has been negotiated, appears to be considerably higher than the price at which offers have been received for the same crude by the Ministry.

CHAPTER 5—Cost of Indigenous Crude

5.1 **Gujarat Crude.**—Crude oil is being supplied to Burmah-Shell and Esso refineries by the Oil and Natural Gas Commission (O & NGC) from its Ankleshwar field to meet a part of their requirement. The total offtake was

	Thousand Tonne
1962	327
1963	658
1964	757

The price of the crude delivered at the refinery is on a 50:50 ratio of the landed price of discounted Aramco and Aghajari crudes after making adjustment for gravity difference. This worked out to about Rs. 84 per tonne as on December 15, 1961. The price is inclusive of railway freight and delivery charges upto the refinery, which together come to about Rs. 25 per tonne. From the statement of cost shown to us by the Oil and Natural Gas Commission (O & NGC), the present price does not cover their cost. At present the fields are not worked upto the full rated capacity. It is not known what the production cost per tonne is likely to be when the proposed production (2·5—3 million tonnes) is reached. The O & NGC has little hope of its price being comparable to the price of the imported crude. Inclusion of expenditure for survey and exploration work of the Commission in the other parts of India into the capital cost of Ankleshwar fields for the purposes of amortisation, which is now done, tends to inflate the cost of the crude. It appears that an investigation into the cost structure of this crude should be undertaken by a competent Cost Accountant.

5.2 **Assam Crudes.**—AOC produces some crude from its own field and processes it in its own refinery at Digboi, but as the quantity is not sufficient it also obtains crude from Oil India Ltd. Its own supply was 188,800 MT in 1962. 184,300 MT in 1963 and 160,800 MT in 1964. This crude is not separately priced as extraction, refining and distribution are treated as one integrated operation.

5.3 Oil India Ltd., which operates Nahorkatiya, Hugrijan and Moran fields, is jointly owned by the Government of India and Burmah Oil Company Ltd., each having contributed Rs. 140 million to its capital. The fields were first discovered and explored by AOC, a wholly owned subsidiary of BOC, but were transferred to the new joint company. The two public sector refineries, have the first call on its production upto 2·75 million tons—Nunmati (0·75 million tons) and Barauni (2 million tons); and after satisfying their demand Digboi refinery may be supplied upto 435,000 tons. Nunmati refinery was commissioned in December, 1961 and reached its full capacity in 1964; Barauni refinery came on stream in August, 1964.

The delivered price of the crude payable by the refineries shall be, according to the Promotion Agreement of 14th January 1958 between the parties, either the lowest Calcutta landed cost for similar crude from an alternative source, or the cost incurred by the Company together with a reasonable return, whichever is less. This pricing basis was changed to a complicated formula by the Agreement of 27th July, 1961. In short, the new formula provides that the price will be determined by the posted f.o.b. Middle East price of equivalent quality of Crude oil plus transport charges to Calcutta less a discount to be calculated according to another formula so as to give a return of 10·8 per cent. on the paid-up capital to the Company after payment of all taxes (including taxes payable on dividends). The Company will be entitled from 1962 to such profits in each calendar year as will yield a return, after payment of all taxes, of not less than 9 per cent. and not more than 13 per cent. per annum. If the income of the Company in any year is found insufficient to give the above minimum return, the price paid by purchasers of crude oil during such year will be increased by retrospective adjustment so as to permit payment of such minimum dividend. Conversely, if the income gives a higher dividend than 13 per cent. then a retrospective discount will be allowed to the purchasers of crude oil. All levies on sales, *e.g.*, Sales tax, will be added to the price of the crude.

5.4 The quantities of crude supplied to these refineries and the prices charged by Oil India Ltd., in 1961, 1962, 1963 and 1964 are shown below:—

	Refinery	Quantity Supplied Tonnes	Price Rs/tonne		Breakup of price Rs/tonne
1961	Digboi	265,000	84·08		72·23
				Assam S/Tax	11·85
					84·08
1962	Digboi	289,000	114·60	Provisional	67·44
	Nunmati	265,000		Retrospective adjustment	35·37
				Assam S/Tax	11·79
		554,000			114·60
1963	Digboi	304,000	147·60	Provisional	72·75
	Nunmati	387,000		Retrospective Adjustment	63·02
				Assam Sales Tax	11·83
		691,000			147·60
*1964	Digboi	333,000	137·95	Provisional	71·00
	Nunmati	758,000		Retrospective Adjustment	55·10
	Barauni	167,000		**Assam Sales Tax	11·85
		1,258,000			137·95

*As estimated by Oil India Ltd.

**Sales to Barauni take place within the State of Bihar, therefore, Bihar Sales Tax @2% of the price only is charged.

5.5 The AOC refinery has paid the full price and has complained that such high price for crude has upset the economy of the refinery and is largely responsible for the decline in profit. The public sector refineries are paying the prices at the landed cost of a similar crude at Calcutta and the balance is borne by the Government of India. Nunmati Refinery paid Rs. 74·33 out of the price of Rs. 114·60 per MT in 1962, Rs. 75·77 out of Rs. 147·60 per MT in 1963 and Rs. 75·40 out of Rs. 137·95 per MT in 1964. This will give an idea of the amount of the Government of India's subsidy to the two refineries.

5.6 It appears that the price charged by Oil India in 1961, which was reasonable, was equivalent to the landed cost of such crude at Calcutta in accordance with the Promotion Agreement of 1958, but its sharp rise from 1962 onwards is due to the new pricing formula adopted in the July (1961) Agreement, which guarantees a minimum tax-free dividend of 9 per cent. irrespective of the quantity sold. The Assam Sales Tax of Rs. 11·85 per tonne, in addition to a royalty levy of Rs. 7·5 per tonne, on an industrial raw material appears to be high. If the refineries which are mainly the two public sector refineries, have to pay such high prices for their crude, the present structure for product prices, which is built on an all-India pattern, together with their locational disadvantage would cause heavy loss in their working. If the prices for their products are increased to meet this position, serious complications will arise in marketing the products side by side with the products of the other refineries or products obtained on import.

5.7 The high cost of crude was brought to the notice of Oil India Limited. The Company explained that on account of the delay in the commissioning of the Gauhati and Barauni refineries the actual offtake of crude fell far short of the estimate, with the result that most of the Oil field charges (Salaries, wages, overheads, Expenses on Town, Depreciation on field and Pipeline Assets and Pipeline Operating Cost etc.), which do not vary much according to production had to be spread over a much lower production and caused a significant increase in price. If the offtake had reached the volume which the Company had anticipated (*i.e.* 3 million tonnes in 1964 instead of 1·4 million tonnes actually sold), the price according to the Company would have been for the first year below Rs. 75 per tonne, exclusive of Sales tax. Due to the delay in the commissioning of the refineries, Oil India Limited had to borrow a large sum (Rs. 130 million) for their operations, the interest on this loan plus certain changes in the incidence of Company taxation have pushed the prices far above what was anticipated at the time of the Second Supplemental Agreement. The company anticipates that the price may be about Rs. 80 (exclusive of Sales Tax), or slightly below from 1968. It appears that an investigation into the cause of the high crude price is necessary in order to safeguard the position in the future.

CHAPTER 6—Pricing of refinery products

6.1 There are six refineries in India, three coastal refineries in the private sector, operating mainly on imported crude oil, and three inland refineries, two in the public sector, namely, Nunmati (Gauhati) and Barauni, and one in the private sector, namely Digboi, all using indigenous crude. Barauni started operation in August 1964 and has not reached full production yet. The total production of different products was as follows:

In million tonnes

	1962	1963	1964
Coastal refineries	5·953	6·789	7·175
Inland refineries	0·631	0·860	1·256
	6·584	7·649	8·431

6.2 India has achieved surplus production in Motor Spirit and exported 206,008 tonnes (value Rs. 29·54 million) in 1962 and 364,759 tonnes (value Rs. 48·19 million) in 1963, and 306,162 tonnes (value Rs. 38·24 million) in 1964, when 57,753 tonnes of Naphtha valued at Rs. 0·379 million was also exported. India is still deficit in other products and imported such products to the extent shown below:—

	Quantity (million tonnes)	Value (Rs./million)
1962—Free source	2·540	438·682
Rupee source	0·417	49·001
	2·957	487·683
1963—Free source	2·126	427·000
Rupee source	0·732	89·874
	2·858	516·874
1964—Free source	2·264	415·936
Rupee source	0·662	76·056
	2·926	491·992

Though the above statement includes import of lube-oils, greases and other special products, the major part of the imports consisted of bulk products now produced in the refineries here, such as Kerosene, HSD

and Furnace Oil etc., besides Aviation Gasoline, Aviation Turbine Fuel etc., which are not produced in the country now. From the estimate of production and demand in the country received from the Ministry it appears that import of some deficit products of the order of one million tonnes will still be necessary in 1970. Therefore, the prices of the imported products will have to be taken into account in fixing prices in the petroleum industry.

6.3 Import prices have acquired importance for another reason. In the agreements between the Government of India and the Oil Companies under which the three coastal refineries have been established, the Oil Companies have been given an assurance that they will be permitted to establish the prices of the products ex-refinery from time to time at any level not higher than the landed cost of comparable products on import. There is a further assurance that if any other refinery producing similar products from imported crude oil is granted terms generally more favourable than those granted to these refineries, such terms will be made applicable to them also. One consequence of this assurance is that import parity will have to be observed as the basis for pricing the products of the new coastal refineries such as Cochin, Madras and Haldia, which will be run with imported crude oil; if higher prices than the import parity prices are fixed for the new refineries such prices will also apply to the products of the existing coastal refineries which will thus get an unwarranted increase in price.

6.4 As recommended by the Oil Price Enquiry Committee (OPEC) import parity prices of the products are determined by adding together the lowest f.o.b. quotations ex-Abadan at the time (less a specified discount varying from 3 to 10 per cent. in the case of six products), the ocean freight and marine insurance, with an allowance for ocean loss, and then by adding to the c.i.f. price port and other landing charges and also the duty. The import parity prices differ from port to port, depending on the freight from the Persian Gulf and the landing charges, and they are applicable to imported products as well as the products from the Indian refineries moved there, without addition of the cost of such movement. Each port is treated as a pricing point and an economic area of distribution is established on the basis of transport facilities upto a line of equal cost with the neighbouring area. Assam has been, on account of its remoteness and transport difficulties, treated as a separate supply area for the AOC refinery at Digboi as most of its products are consumed there. The import parity price at Calcutta, has, however, been transplanted at Digboi/Tinsukia for pricing of Digboi products; this has also been done in the case of the Gauhati and Barauni refineries. In this connection, the question has been raised whether pricing on import parity is suitable in the case of inland refineries whose cost of production is higher due to locational and other disadvantages and high price of crude, and whether other methods of pricing, such as cost plus a reasonable margin of profit or a fixed refinery margin, would not be more appropriate in their case. Though accepting the import parity basis the Oil Companies have objected to the discounts as being unrealistic as they are not available to them. The whole pricing method has, therefore, been examined carefully.

6.5 The total production of 8·43 million tonnes of products in India in 1964 was made up of 34 different products, 9 of which were above 100,000 tonnes each and 8 below 1,000 tonnes each. All the refineries do not produce the same products and of the principal products, such as Motor Spirit, Kerosene, HSD and Furnace Oil, the proportions in relation to the total production vary from refinery to refinery and even marginally within the same refinery, from year to year. In such circumstances allocation of the total cost plus a reasonable margin of profit for the refinery among the products on a purely cost accounting basis is almost an impossible exercise and may produce a price pattern which will be in conflict with the market conditions. Similarly, a fixed refinery margin together with the cost of the crude will be difficult to distribute among the products for the same reason. In any system of pricing based on cost of individual refineries, the cost of the same products will vary from refinery to refinery depending on crude cost, operating cost, size of refinery, capital investment etc., and it will not be possible to evolve uniform prices unless there is a pooling of prices by a centralized agency. The procedure adopted in determining marketing and distribution charges on a uniform basis for the marketing companies cannot be applied to refineries mainly due to their varying patterns of production and different types of crude processed etc.

6.6 The price of a product depends not only on the cost of production but also on other considerations such as market conditions, demand and competition of substitutes and alternative energy producing materials and, as a result, a price relation among the principal products is evolved, the pattern of which is similar, with some variations, in different countries and at the big export centres. Thus there is largely an international price pattern in the petroleum industry. As India has to depend on large imports of crude oil it is difficult for her to evolve a wholly different price structure. Import prices on the world basis, particularly those in the Persian Gulf, which are lower for most of the common products than elsewhere will be economical to the consumer and will also serve to maintain a salutary check on the efficiency of the domestic refineries.

6.7 **Refinery Margin.**—It will be useful to examine what margins are left to the refineries on the present OPEC prices. Refining margin, which is a concept used in refinery economics, is the difference between the cost of a barrel of crude oil input and the receipts from its refined products. After deducting the cost of refining from the gross refinery margin, the income from refining is obtained, which is a measure of its profitability. A statement is given below showing the financial results of the working of the Indian refineries on this basis during 1962 and 1963. The results have been expressed per tonne of crude input.

	1962					1963				
	BSR	ESSO	CALTEX	GAUHATI	AOC	BSR	ESSO	CALTEX	GAUHATI	AOC
Capacity—Million tonnes	3·50	2·50	1·05	0·75	0·50	3·75	2·50	1·05	0·75	0·50
Actual crude run	3·153	2·179	0·952	0·283	0·462	3·760	2·404	1·026	0·544	0·47
Refinery Margin at port of *location*	(Rupees per tonne of crude run)									
Product realisation per tonne of crude on import parity—*less* OPEC discount	118·00	105·56	112·43	120·24	200·37	116·12	104·45	109·00	122·25	196·18
Less—cost of crude	71·80	68·05	75·62	83·00	86·52	72·23	68·61	74·76	75·94	108·88
Gross refinery margin	46·20	37·51	36·81	37·24	113·85	43·89	35·84	34·24	46·31	87·30
Less—Operational expenses including depreciation	15·32	17·56	19·64	49·65	52·45	14·25	16·66	17·73	39·11	55·12
Net surplus	30·88	19·95	17·27	(—)12·41	61·40	29·64	19·18	16·51	7·20	32·18

6.8 The three private sector coastal refineries do not, however, retain the refining margins as shown in the above statement. Burmah-Shell and Caltex refineries do not buy the crude or own the products. They are paid a processing fee after adjustments of debits relating to the cost of movement of products by land and/or sea to the main installations outside their port of location and also other sundry charges, real or notional. Esso refinery which buys the crude at a discount and sells the products without OPEC discounts to the marketing company, has to bear similar charges. As the refining and marketing companies are owned by the same principals, the operations should be looked upon as integrated, to get a true picture of the working results. This has been done in Chapter 3, where the marketing companies' trading results have been indicated. It will, however, be not unreasonable to say that except perhaps Caltex the coastal refineries get adequate return on the basis of the price fixed on import parity with OPEC discounts.

6.9.1 **Inland refineries—Pricing of products.**—We have examined the question whether pricing of the products of the two public sector refineries at Gauhati and Barauni and the AOC refinery at Digboi should be done on a basis different from import parity, to compensate them for higher cost due either to the price of the indigenous crude or their location, capital investment etc.

6.9.2 To do this, two important elements of the cost structure, namely, the price of the crude and the normal operational cost should be known. The price of the crude supplied to these two refineries as well as the AOC refinery at Digboi by Oil India Limited has varied per tonne from Rs. 84·08 in 1961, to Rs. 114·60 in 1962, to Rs. 147·60 in 1963 and Rs. 137·95 in 1964, inclusive of the Assam sale tax of Rs. 11·85 (Bihar sale tax at 2 per cent. *ad valorem* or about Rs. 2·00 in case of Barauni refinery). The AOC refinery has paid the full price. The public sector refineries have paid according to the landed cost of a similar crude at Calcutta, i.e., about Rs. 75 per tonne; the balance has been met by Government of India. OIL expects that from 1968 their price of crude would stabilise. The cost of refining at Gauhati and Barauni is yet to reach a firm basis. The Barauni Refinery, which is the biggest unit of this group started operation in August 1964 and will take sometime to reach full production. The cost of production at Gauhati refinery cannot be treated as representative of both. The cost of refining at Gauhati has been reduced from Rs. 50 per tonne of crude processed in 1962 (its first year) to Rs. 39 in 1963. It has not yet reached the same level of efficiency as the other established refineries. Improvement of the working of the refinery, which should be expected, will, therefore, reduce, the cost and improve its financial position. It is, therefore, not reasonable to regard as normal any price structure for the products of these refineries built on the present cost of operation and price of the crude. There will be complications in operating a different price structure for these three refineries in the Calcutta supply region side by side with the prices of the several products based on import parity as the three refineries will not be able to meet the entire needs of the area and some products will have to be obtained from outside. Moreover, when Haldia refinery comes on

stream, a new situation will arise. Taking everything into consideration, it is felt that, for the present no departure should be made from pricing based on import parity at the port of Calcutta in the case of these refineries.

6.10 Both IOC and AOC as well as the other Oil Companies with whom this matter was discussed agree with the Working Group that the import parity basis appears to be the most practical method for pricing of products of coastal as well as inland refineries in the present circumstances.

6.11 **Discounts.**—The Oil Companies in the private sector have objected to the discounts by which the f.o.b. prices have been reduced by OPEC in arriving at the import parity prices in the case of the following products:—

(*i*) Aviation Turbine Fuel	10% on f.o.b.
(*ii*) Motor Spirit	5% „ „
(*iii*) H.S.D.	10% „ „
(*iv*) Kerosenes	10% „ „
(*v*) Light Diesel Oil	9·3% „ „
(*vi*) Furnace Oil	3% „ „

Their objection is on the ground (i) that such discounts are not available in normal commercial transactions and (ii) that OPEC's decision about these discounts was based on inadequate evidence and was influenced mainly by the rupee purchases by IOC from USSR which, in their opinion cannot be treated as normal trade as it is politically motivated. The companies have complained that pricing on the basis of these discounts has caused heavy loss of income to them. The whole question has, therefore, been carefully examined by us.

6.12 Under the agreements of 1960 and 1961, IOC has imported Kerosene, HSD and Furnace Oil from USSR on the c.i.f. price ex-Adaban at discounts off f.o.b. ex-Abadan at rates much higher than those shown above. The total quantities imported were 0·414 million tonnes in 1962, 0·715 million tonnes in 1963. Under the new agreements made in 1964 and 1965, USSR has undertaken to supply 2,475,000 metric tonnes of Superior and Inferior Kerosene, HSD and Furnace Oil in 1964, 1965 and 1966 on the lowest f.o.b. ex-Abadan at discounts slightly lower than the former discounts but still higher than OPEC discounts except in the case of Furnace Oil, despite adjustment of certain freight differentials between Black sea and Persian Gulf. The total quantity imported from USSR in 1964 was 0·866 million tonnes.

6.13 It will be clear from the quantities involved and the arrangements under which they are being imported that imports from USSR should be treated as in regular trade. The Oil Companies are importing Lub. Oils from Yugoslavia on rupee payment; therefore, rupee payment basis of the Russian trade cannot be treated as a serious

objection. Moreover, the discounts which are being received from USSR are not unusual, as will be shown below. Russia has vastly expanded her petroleum industry and has made a strong bid to come into the world market. The subject of Russian Oil export was reviewed in the Petroleum Press Service, October 1964. It is mentioned there that the Russian export in crude and products outside the Soviet Bloc increased from 25 million tons in 1962 to 29 million tons in 1963 and over three quarter of this trade went to Europe (outside the Soviet Bloc) and more than one-tenth to Japan leaving little more than another tenth for the rest of the free world. Russian exports to countries outside the Soviet Bloc increased by 8 per cent. in 1964. The trade figures clearly demonstrate, in the view of this Journal, that one of the major purposes of Soviet oil export is to finance the purchase of urgently needed imports from industrialised countries. The same Journal (May 1964) mentions the opinion of the National Petroleum Council in USA that Russian attempts to expand their oil exports to Western Europe have an economic motivation. Therefore the Russian trade with India should be looked at from a commercial angle.

6.14 IOC has obtained considerable quantities of deficit products through an American firm under an agreement for the year 1964 made in April 1964, providing for c.i.f. price from Abadan less a discount at OPEC rates for Superior Kerosene, HSD and Furnace Oil which discounts will be increased by 45 cents. per metric tonne in the case of HSD and by 2 per cent. in the case of Furnace Oil. The supplier is agreeable to extend the offer to 1965 and thereafter, subject to advance notice being given before the end of each year. The total quantity imported in 1964 was 0·218 million tonnes and the products have come from Abadan. This party has offered Aviation Gasoline at a discount of 3 per cent. off Abadan posting and a small quantity out of this offer has been imported from Abadan so far. IOC has received several offers c.i.f. from Western sources ex-Abadan with OPEC or even higher discounts.

6.15 The three Oil Companies, who have been importing the greater part of deficit bulk products have done so without any discount. As already stated they maintain that such discounts are not available under long term commercial supply arrangements. They claim that the prices obtained by them are fair and commercial and competitive with those of other commercial suppliers and the arrangements they have made is the most favourable to this country as it ensures flexibility and supply at short notice. One of the companies has stated frankly that it has made sizable investment in India in its integrated refining and marketing operations for the purpose of distributing its own products and cannot be expected to distribute the products of another party having no comparable investment in India. We are here considering the imported products, which this country is entitled to get at the most economical price. The marketing Companies will get their return for distributing such products, irrespective of the source of supply.

6.16 This company has further stated, as others have done in discussions with us, that an outside party without investment in

India may occasionally offer on short term basis limited supplies of products at a lower price, but this does not constitute shrdlu cmfwy term competition.

6.17 The suppliers are Petroleum Supplies and Services Limited and International Petroleum Company in the case of Burmah-Shell, Esso International Inc. in the case of Esso Standard Eastern and Caltex (UK) Ltd., in the case of Caltex (India) Ltd.; the same parties which supply their crude oil. As has been already explained, these supplying companies are wholly owned subsidiaries of their principals and function for the purpose of selling the products of the large family of associated companies owned or controlled by the international 'majors'. There is no doubt that the supply arrangements are efficient and satisfactory and can meet fluctuating demands at short notice as the suppliers have access to a large number of companies belonging to the group, which are engaged in all phases of petroleum industry, but the claim that the price is fully competitive with those of other commercial suppliers is not convincing when freedom to bargain with sellers outside the group is absent. One very important implication of such predominantly integrated nature of the industry is, as Mr. A. F. Enser, Chief, Fuels and Energy Division, U.S. Department of State, points out (Petroleum Intelligence Weekly, New York, April 5, 1965) that prices between affiliates are essentially managed prices. The other point mentioned by the companies namely, supplies of limited quantities at lower prices on a short term basis by an outsider does not constitute true competition, has force, but in this connection the supplies at discounted prices that have been considered above are of considerable quantities and on a regular basis over a period. A number of offers of casual character or actual supplies of smaller quantities at OPEC or higher discounts have not been taken into consideration.

6.18 Our conclusion is that discounts higher than OPEC rates are now available for imports on regular basis. The fact that the oil companies have not obtained such discounts is no proof that they do not exist. It is reported in Petroleum Intelligence Weekly (May 10, 1965), that Pakistan has been receiving deficit products from the major oil companies at Abadan postings less OPEC discount. (This report has been shown to the oil companies). On account of the failure of the private oil companies to obtain OPEC discounts on imported products the extra payment in foreign exchange made by them for their imports was of the order of Rs. 21 million in 1962 and Rs. 16·5 million in 1963.

6.19 We have now to consider what discounts should be recommended by us to determine the basis of the prices of bulk products on import parity. Imports of fairly large quantities have been made by other concerns at OPEC or even higher discounts. Larger discounts than OPEC have been offered from Western sources. The Ministry has brought to our notice certain offers received from Western sources for substantial quantities of deficit products for this year's shipment as well as next year at prices equivalent to c.i.f. ex-Abadan bearing discount of 18 per cent. off Abadan posting for Superior Kerosene, 18 per cent. for HSD and 10 per cent. for Furnace Oil. The Ministry has recently asked the Oil Companies whether

they would be agreeable to import ATF from a Western source at a discount of 20 per cent. offered to the Ministry. It is further understood that on the basis of a global tender these three private oil companies offered to Air India International ATF on a global basis on a lumpsum discount of a large amount. According to a report in 'Platt's Oilgram' Price Service of May 26, 1965 the prices for airport deliveries of this fuel are now at least 10 per cent. lower than the former prices. According to a report in Petroleum Press Service of January 1965 (pp. 9—12) the market of ATF is slumping. One of the oil companies mentioned to us during discussion that they were in a position to import Furnace Oil at a discount of about 10 per cent. off Abadan posting, "temporarily". In this connection we have seen a report in Petroleum Intelligence Weekly (May 10, 1965) that Pakistan has given the sole right for two years for import of all deficit products to a local company which is able to import from Italian refineries these products at delivered prices considerably cheaper than the prices at which all the major oil companies were supplying from Abadan. This company has obtained delivery of Gas Oil (HSD) at 19 per cent. below the delivery price from Abadan, Motor Gasoline at 23 per cent. below and Fuel Oil at around 10 per cent. below Abadan.

6.20 The parties concerned in many of these offers and sale contracts are independent operators. They handle a small part of the international trade in oil and oil products while the bulk of the trade is handled by the major international companies. Therefore, though the large discounts offered by such independent operators may not be fully representative of the trade, they cannot entirely be ignored. Making due allowance for this we think that discounting on published prices has become common and the OPEC discounts should be further increased.

6.21 Having regard to the different aspects of the problem and taking the different products together, the following minimum discounts off f.o.b. Abadan have been adopted by us for fixing the ceiling selling prices but we recognise that higher discounts may be available in particular cases:

(*i*) Aviation Gasolines	3 per cent.
(*ii*) A.T.F.	15 ,, ,,
(*iii*) Motor Spirit	12 ,, ,,
(*iv*) H.S.D.	12 ,, ,,
(*v*) Kerosene	12 ,, ,,
(*vi*) L.D.O.	12 ,, ,,
(*vii*) Furnace Oil	10 ,, ,,

6.22 All the marketing companies may be asked in advance at what price they are in a position to import the deficit products. Foreign exchange may be allocated to those who are able to import at the above or higher discounts.

CHAPTER 7—Pricing Formula

7.1 The petroleum products can be broadly classified as under:—

(A) *Bulk Refined Products*:

(i) Aviation Spirit/Aviation Gasoline different grades 100/130, 115/145 and 73 Octane.

(ii) Aviation Turbine Fuel.

(iii) Motor Spirit 79 Octane.

(iv) High Speed Diesel Oil.

(v) Superior Kerosene.

(vi) Inferior Kerosene.

(vii) Vaporising Oil.

(viii) Light Diesel Oil.

(ix) Furnace Oil.

(B) *Bitumen*: Straight grades, Cut-backs and Special grades.

(C) *Lubricants and Greases.*

(D) *Specialities:*

(i) Solvent Oil.

(ii) Jute Batching Oil.

(iii) Mineral Turpentine.

(iv) Roofing materials and house-hold specialities.

(E) *Other Special Products*:

(i) Naphtha.

(ii) Liquified Petroleum Gas.

(iii) Hot Heavy Stock.

(iv) Low Sulphur Fuel Oil.

(v) Boiler Fuel.

(vi) Residual Fuel Oil.

(vii) Aromex/Iomex.

(viii) Colza Mineral Oil.

(ix) Tea Drier Oil.

(x) Refinery Gas.

(xi) Petroleum Coke.

(xii) J.P. 4/J.P. 5.

(xiii) Paraffin Wax.

(xiv) Chemicals.

7.2 We have dealt with the products mentioned at (E) (i) and (ii) elsewhere. Other Special Products referred to at (E) (iii), (iv), (v) and (vi) above are usually sold directly from the refineries to single

consumers against contracts specifically concluded with them, providing for fluctuations of prices with variation in f.o.b. etc. Boiler fuel and Residual Fuel Oil are also consumed by the refineries themselves. The quanta of other products are too small at present to warrant the laying down of a pricing formula. J.P. 4 is not yet being produced or imported. Paraffin Wax is not imported and the entire sale in the country is from AOC's production and is sold through Burmah Shell on commission basis. The volume is not large. The share of the oil companies in the total sales of the chemicals in the country is negligible. These products are, therefore, excluded from the purview of the proposed pricing formula.

7.3 For reasons explained in para. 7.11 we have proposed block control on marketing and distribution charges and profit in respect of (C) Lubricants and Greases and (D) Specialities.

7.4 We recommend that the pricing formula for bulk refined products should contain the following elements:—

(a) f.o.b. Cost (less discounts).

(b) Marine Freight.

(c) Insurance.

(d) Ocean Loss.

(e) Customs duties and Surcharge.

(f) Wharfage charges.

(g) Other compulsory landing charges.

(h) Marketing and distributing charges comprising,
- (i) Installation expenses.
- (ii) Administration and management expenses.
- (iii) Distribution expenses.
- (iv) Retail pump outlets/airfield outlet expenses.

(i) Profit.

(j) Fixed commission to dealers/agents, wherever applicable.

7.5 The total of the above will represent the basic ceiling selling price of the relevant product, exclusive of railway freight from the storage point to the point of delivery, local duties and taxes as applicable at the place and time of sale and the packed/bulk differential in respect of products supplied in packages.

7.6 Fixation of Quantum in the Break-up of the Pricing Formula:

7.6.1 (A) Bulk Refined Products.

7.6.1.1 F.O.B. Cost should be determined at the lowest posted prices of any company regularly posting prices in Abadan (as reported by Platt's Oilgram Daily Reporting Service). The quotations of those companies only as have posted quotations for that product at least 30 days out of the preceding 90 days should be considered.

7.6.1.2 The marketing nomenclatures in India and the equivalent Platt's quotations are given below:—

Marketing nomenclature in India	Platt's Quotations (Abadan)
1. Aviation Spirits/Avgas	1. Avgas (applicable grades)
2. Aviation Turbine Fuel	2. Turbine Fuel 1 (—58 F)
3. Motor Spirit.	3. 79 Octane.
4. Superior Kerosene.	4. Kerosene
5. Inferior Kerosene.	5. No. 2 Fuel.
6. Light Diesel Oil.	6. Industrial Diesel.
7. H. S. D.	7. 53/57 Diesel Index.
8. Furnace Oil	8. Bunker C. Fuel.
9. Vaporising Oil.	9. Tractor Vap. Oil.

7.6.1.3 If the companies are obliged to introduce a new grade or specification of any product not listed above, the appropriate Abadan price would obtain.

7.6.1.4 The f.o.b. quotations in the Oilgram are in cents. per American gallon or in dollars per barrel of 42 American gallons and will be converted into Indian currency at Rs. 0·0477 per American cent. We have adopted the f.o.b. prices as per Platt's Oilgram Price Service No. 127, dated 2nd July 1965 (Prices applicable as on 1st July 1965).

Products	Unit	Posted Price
		Cents.
Avgas 100/130 Octane	A.G.	14·6
Avgas 115/145 Octane	A.G.	15·9
Avgas 73 Clear	A.G.	12.6
Aviation Turbine Fuel	A.G.	9·2
Motor Spirit 79 Octane	A.G.	6·6
High Speed Diesel Oil (53/57 Diesel Index)	A.G.	7·0
Kerosene Superior	A.G.	8·6
Kerosene Inferior (No. 2 Fuel)	A.G.	6·6
Vaporising Oil	A.G.	8·3
Light Diesel Oil	42 A.G.	280
Furnace Oil (Bunker C Fuel)	42 A.G.	155

The posted prices indicated above will be subject to the discounts mentioned in para. 6.21 in arriving at the net f.o.b. cost for the determination of the parity prices.

7.6.1.5 **Marine Freight.**—In the case of the three major oil companies their arrangement with their suppliers provide for payment of freight at AFRA rates irrespective of the fact whether such affiliates procure the requisite tonnage at the rates as per or higher/lower than AFRA. This element is included in the ex-refinery prices of the products on a notional basis. At the time of the last enquiry, marine freight was based on AFRA rates (Average Freight Rate Assessment). Recently, this scale has been substituted by INTA-SCALE, over which quarterly adjustments referred to as "AFRA Index" are being made. These quarterly adjustments have been substituted by half yearly adjustments since 1st July 1964. The scale indicates the basic rates ex-Quoin Island in £ sterling per Long Ton to various ports. A differential of sh. 5-6 per Long Ton is added for loading at Abadan. The total is the basic freight rates over which are applied the relevant AFRA Index. The Index applicable w.e.f. 1st July 1965 is (—)17·9 per cent. over the basic rate ex-Abadan. In addition a further differential of sh. 2-8 is added to the net rate to arrive at the rate applicable during the half year beginning 1st July 1965.

7.6.1.6 As the marine freight in the formulation of prices is only national for import parity, rates applicable to general purpose vessels should be applied.

7.6.1.7 The following will be the pattern of discharge for calculating the marine freight; the freight rates for the half year beginning 1st July 1965 are as follows:—

Port	Pattern of discharge	Freight rate Sh/L. Ton	Freight rate Rs./M.Ton
Bombay	Single Port	16—8	10·95
Kandla	Kandla/Cochin	20—6	13·47
Okha	Okha/Cochin	20—2	13·26
Marmagoa	Marmagoa/Cochin	20—0	13·15
Cochin	Average of Kandla/Cochin, Okha/Cochin and Marmagoa/Cochin	20—2·7	13·29
Madras	Madras/Calcutta	28—3	18·55
Vizag	Vizag/Calcutta	28—2	18·51
Calcutta	Average of Madras/Calcutta and Vizag/Calcutta	28—2·5	18·53

7.6.1.8 Based on these figures and the selling units per metric tonne of each product the incidence of marine freight is built into the pricing formula.

7.6.1.9 **Marine Insurance.**—This may be applied at 0.0755 per cent. on f.o.b. as at present.

7.6.1.10 War risk insurance will be excluded from the normal pricing formula, but added separately in case of emergency, if and when the Government considers it necessary to cover additional risks.

7.6.1.11 During the last enquiry the oil companies had assured that they would consider insurance of their petroleum cargoes of crude and products with the Indian Insurance Companies Association. No significant progress in that direction has been made todate. The oil companies should actively pursue the underwriting of their insurances by the Indian parties and report progress to Government from time to time.

7.6.1.12 **Ocean Loss.**—The following percentages have been adopted after careful consideration of the views expressed by the oil companies:—

	% on c.i.f.
Aviation Spirit (all grades)	0·54
Aviation Turbine Fuel	0·25
Motor Spirit	0·33
H. S. D.	0·31
Kerosene Superior	0·25
Kerosene Inferior	0·25
Vaporising Oil	0·35
Light Diesel Oil	0·44
Furnace Oil	0·11

7.6.1.13 **Conversion factors.**—The following conversion factors per selling units of petroleum products for calculating the f.o.b. cost and marine freight are assumed:—

Products	A.G. @ 60°F per K.L. 85° F for f.o.b. cost	K.L. @ 85°F per metric ton for marine freight
Aviation Spirit 100/130	259·61	1·421
115/145	259·42	1·449
73/Clear	259·53	1·432
Aviation Turbine Fuel	260·53	1·288
Motor Spirit	259·55	1.427
High Speed Diesel Oil	260·98	1·210
Kerosene Superior	260·59	1·285
Kerosene Inferior	260·96	1·265
Vaporising Oil	260·85	1·251
Light Diesel Oil	261·19	1·172
Furnace Oil	261·51	1·071

7.6.1.14 **Rate of Exchange.**—Rate of exchange at $ 2·80 per £ sterling (within a range of $ 2·78 to $ 2·82) and the current rate of exchange of pound sterling at Rs. 13·3565 (one rupee being equal to 1 sh. 5·31/32 d.) has been adopted.

7.6.1.15 **Total c.i.f.**—The total c.i.f. price per selling unit of petroleum products (kilo litre or metric ton) at the respective landing ports based on the foregoing factors, f.o.b. quotations indicated in the Platt's Oilgram Price Service No. 127, dated 2nd July 1965 and marine freight as per INTASCALE applicable for the half year beginning 1st July 1965 are indicated in the respective Statements.

7.6.1.16 **Customs/Excise Duties.**—The total duty as at present consists of basic duty and non-recoverable surcharges. Duty is levied at the international temperature, *viz.* 15°C, but the incidence thereof is included in the ceiling selling prices at natural temperature, *viz.* 29·5°C. The duty rates as in force on 1st July 1965 have been converted to 29·5°C at the following conversion factors:—

Products	Factor for converting duty rate at 15°C to 29·5°C. (Duty at 15°C × Factor= Duty at 29°C)
(*i*) Avgas 100/130	0·9827
(*ii*) Avgas 115/145	0·9820
(*iii*) Avgas 73 clear	0·9824
(*iv*) Aviation Turbine Fuel	0·9862
(*v*) Motor Spirit 79 Octane	0·9825
(*vi*) High Speed Diesel Oil	0·9879
(*vii*) Kerosene Superior	0·9864
(*viii*) Kerosene Inferior	0·9878
(*ix*) Vaporising Oil	0·9874
(*x*) Light Diesel Oil	0·9887

7.6.1.17 **Wharfage.**—Wharfage charges at the latest figures furnished by the Oil Companies for the various products at the respective ports have been adopted as indicated in Statements 1 to 11.

7.6.1.18 **Other Compulsory landing charges.**—These charges for the different products have been taken based on the experience of Burmah-Shell in 1963, as the figures in respect of the other two oil companies were not available.

7.6.1.19 **Commission to Dealers and Agents.**—These have been adopted at the following rates:—

Motor Spirit	Rs. 41·80 per K.L. at the R.P.O.
H.S.D.	Rs. 17·60 do.
	Rs. 6·60 per K.L. for agents.
Kerosene	Rs. 7·70 do.
Vaporising Oil	Rs. 6·60 do.
Light Diesel Oil	Rs. 6·60

7.6.1.20 The major Oil Companies as well as the representatives of the Federation of All India Petroleum Traders have represented for increase in the rates of commission, particularly on HSD and for determination of commission chargeable as percentage of the invoice value of the respective product. There is an element of anomaly in this situation. On the one hand profits in the operation of retail outlets are alleged to be exiguous, on the other, there is a considerable competition for entry into Dealership Agreements for new outlets. The average throughput of the retail outlets is progressively increasing and most of the dealers have motor spirit outlets also, where the commission is substantial. Considering all aspects of the question, we see no justification for increase in the rates of commission.

7.6.1.21 Marketing and Distribution charges and Profit have been allowed as indicated in paras. 10.7 and 11.6.

7.7 **Point of Supply.**—The basic ceiling selling prices thus developed will be applicable for sales ex oil companies' storage points for all Bulk Refined Products including Bitumen. Additional surcharges have been included for delivery ex retail points of Motor Spirit and HSD within free delivery zone and ex Airfield outlets of Aviation Spirits/Gasolines and Aviation Turbine Fuel.

7.8 The charges for delivery of Kerosenes, Vaporising Oil, Light Diesel Oil, Furnace Oil and Bitumen, beyond the oil companies' storage points and for Motor Spirit and HSD at retail pump outlets beyond the 'free delivery zone' will be payable extra at actuals.

(B) **Bitumen**

7.9.1 Bitumen and Asphalts are produced at the local refineries and are supplied mainly in drums except certain quantities which are despatched to outstations in bulk from Bombay.

7.9.2 The pricing formula for Bitumen follows the same structure as for Bulk Refined Products as under:—

(a) F.O.B. Cost.

(b) Marine freight.

(c) Insurance.

(d) Ocean Loss.

(e) Customs duty and surcharge.

(f) Wharfage.

(g) Compulsory landing charges.

(h) Marketing and distribution charges.
  (i) Installation.
  (ii) Administration.
  (iii) Distribution.

(i) Profit.

7.9.3 Bitumen is usually exported from the overseas producing centres in drums except small quantities despatched in tankers to European countries from Persian Gulf. Tankers for bulk bitumen are difficult to operate. The refinery agreement with Burmah Shell embraces bitumen also as regards import parity. Bulk parity will be applicable to Bombay and packed parity for other ports as heretofore.

7.9.4 **F.O.B.**—In the absence of posted prices for Bitumen, Bulk or Packed, we have adopted the assessed export f.o.b. prices effective from 16th June 1965 as intimated to Burmah Shell by its suppliers for packed supplies, the figures being

Straight Grade	£ 10-10-0 per L. ton.
Cutbacks B.S.	£ 13-0-0 per L. ton.
Cutbacks R.C.	£ 13-15-0 per L. ton.

For determining the naked f.o.b. for Bombay port, we have deducted therefrom the packing and filling-in cost of the drums overseas at

£ 6-13-2 per L. ton of straight grades; and

£ 7-12-5 per L. ton of Cutbacks

as intimated by the suppliers.

For other ports the parity for packed supplies is adopted.

For packed supplies ex-Bombay the local cost of packing and filling-in is added on the basis of Burmah Shell Refinery's 1963 experience with adjustment for consumption and price of drum sheets (62 86 kg. of 24 g. sheets at a price of Rs. 1,088·90 per tonne for one tonne of Straight grades and 90·20 kg. of 21 g. sheets at a price of Rs. 1,025·83 per tonne for one tonne of Cutbacks).

7.9.5 **Marine Freight.**—For Bombay Port, we have assumed marine freight at basic INTASCALE (with AFRA variation) rate plus 20 per cent. (on account of the special facilities for heating, handling etc. provided in such tankers) which works out to Rs. 13·21 per tonne. Regarding packed freight for other ports we have likewise adopted the rates per tonne including the container weight at rates indicated by London Freight Brokers Conference.

7.9.6 **Marine Insurance** has been assumed at 0·0755 per cent. on f.o.b. values for Bulk and 0·0905 per cent. on C & F value for packed supplies.

7.9.7 **Ocean Loss** has been allowed at the rate of 0·10 per cent. on c.i.f. value.

7.9.8 **Customs/Excise Duties.**—These are based at the rates applicable as on 1st July 1965 as given below:

	Bulk	Packed
	(Rs. per M. Ton.	
Straight grade	78·04	102·63
Cutback	..	97·13

The rates adopted in the statement showing ceiling selling prices are for packed supplies. In regard to bulk supplies, which we understand to be small, prices may be negotiated on the basis of the prices evolved for packed supplies with due regard to duty differential and the cost of drums.

7.9.9. **Marketing charges and profit** are allowed as indicated in Statements 12 to 14.

(C) Lubricants, Greases and Specialities

I. Lubricants and Greases:

7.10.1 The following main categories of Lubricants and Greasey used in the country are either wholly or partly imported or wholly/ partly blended in India from imported base oils or wholly produced indigenously: —

(i) *Lubricants*:

(1) Aero-engine oils.

(2) General Machinery Oils.

(3) Crank, Chamber, Turbine and Compressor Oils.

(4) Steam Cylinder Oils.

(5) Insulating, Transformer and Switch Oils.

(6) Gear Oils.

(7) Cutting Oils.

(8) Axle Oils.

(9) Liquid Paraffin, and

(10) Textile Finishing Oils.

(ii) *Greases*:

(1) General purpose Greases.

(2) Cup Greases.

(3) Hard Greases Locomotives.

(4) Greases for ropes etc.

(5) Ball and Roller Bearing Greases.

(6) Mineral Jelly and Petrolatums, and

(7) Other kinds of Greases.

7.10.2 The questionnaire relating to these products was issued to Burmah Shell, Esso, Caltex, IOC, and BOC (IT) and twelve other smaller firms entitled to annual foreign exchange allocation of over Rs. 10 lakhs each for import of these products.

7.10.3 In 1963, the major oil companies (*viz.* Burmah Shell, Esso and Caltex) handled about 79 per cent. of the total sales of these products; the balance being handled by the other companies of which IOC and Gulf Oil (India) Private Limited are more prominent. The bulk of the sales are made ex-main installations and a small portion is supplied ex-retail outlets, dealers' godowns etc.

7.10.4 It has been stated that the actual selling prices are determined with due regard to competitive conditions taking into account landed cost, duties, local manufacturing/blending charges, marketing expenses and profit margin, with addition to the main installation prices of rail freight, handling charges etc. for deliveries at upcountry points. The rates of commission to agents/dealers vary from 20 per cent. to 35 per cent.

II. **Specialities:**

7.10.5 The following Specialities are covered by our scheme of block control, as these constitute the bulk of the trade in this category: —

(1) Mineral Turpentine.

(2) Solvent Oils.

(3) Jute Batching Oil.

(4) Roofing materials and house-hold Specialities.

7.10.6 A major portion of the sales of these products are made ex-installations; supply of Jute Batching Oil being totally made directly from the installations to the consumers.

7.10.7 As in respect of Lubricants and Greases, the actual selling prices of Specialities are also determined with due regard to competitive conditions, taking into account landed cost, duties, local manufacturing/blending charges, marketing expenses and profit margin etc. The rates of commission to agents/dealers vary from 10 per cent. to 15 per cent.

7.11 Owing to the large variety of Lubricants, Greases and Specialities, many of the mbeing branded items, no formulation of ceiling selling prices on the lines of the bulk refined products is feasible.

7.12 It is recommended that block control on marketing and distribution charges and profit coming under (i) Lubricants and Greases and (ii) Specialities, may be applied based on the experience of Burmah Shell, Esso and Caltex.

7.13 The oil companies shall be permitted to frame the prices of the individual products coming under the respective groups in such manner that, during a financial year, the recovery towards marketing and distribution charges and profit margin per unit quantity for each of these groups does not exceed the ceilings proposed by us. The oil companies shall, however, be permitted to recover the actual cost of materials, blending charges and packaging and filling-in

charges at actual rates. Under this arrangement, the cost of materials, blending and packaging and filling-in expenses will be deductable from the net realisation to the oil companies in respect of these products, the balance representing the recoveries towards distribution charges and profit margin. Dividing the balance by the total quantity sold in the relevant group will give the average recovery rate. In the event of recovery during a financial year, exceeding the ceiling proposed by us, the oil company/companies should suitably revise the price structure of the various products in the subsequent period within the respective group.

7.14 To regulate the position these three companies should submit periodic statements in the manner prescribed by Government to enable Government to watch the position and to satisfy that adjustments in selling prices are being made as and when necessary. As these companies handle bulk of the trade, regulation of their selling prices is expected to influence the selling prices of other companies.

7.15 The ceiling rates for marketing and distribution charges and profit shall be as under:—

	Marketing and Distribution charges	Profit
	Rs./KL	Rs./KL
1. Lubricants and Greases	73·73	20·39
2. Specialities	17·66	7·54

(D) Naphtha

7.16.1 In para. 6.2 we have referred to the surplus production of Motor Spirit and Naphtha and the arrangement made by the private oil companies for their export. The expansion of the existing refineries and commencement of production at the new ones will aggravate the problem of Motor Spirit surplus; the reduction of which has to be planned by production of Naphtha, which is a light distillate above the kerosene range and traditionally the raw material for manufacture of high-grade Aviation and Motor Gasoline. To this end, the growth of industries has to be planned to encourage the use of Naphtha as feed-stock, particularly for manufacture of fertilizers, petro-chemicals, and town gas. On the planned basis, the demand of naphtha may develop from 169,000 tonnes in 1966 to 2,850,000 tonnes in 1970. The planned industries will form a part of the complex associated with each refinery supplying the required feed-stock, in addition to the supplies already being made by the coastal refineries to the individual consumers, on agreed pricing basis. To ensure availability of feed-stock at reasonable rates to the Naphtha-based industries, which will require substantial investment, we consider it desirable to evolve a pricing formula for this product on the following lines:—

(i) *F.O.B.* ex-Abadan of Bunker 'C' fuel *less* discount as applicable from time to time for fixing the internal price of Furnace Oil.

(ii) *Calorific conversion* to be applied to net f.o.b. @ 1·1048 based on a thermal value of 20,550 BTU for Naphtha and 18,600 BTU for Bunker 'C' fuel per pound.

(iii) *Ocean freight* from Abadan to the Indian Port (based on INTASCALE with AFRA variation as applicable from time to time).

(iv) *Marine Insurance* @ 0·0755 per cent. of (ii) above.

(v) *Ocean Loss* @ 0·11 per cent. of c.i.f. *i.e.* (ii)+(iii)+(iv).

(vi) *Wharfage and other landing charges* as applicable to furnace oil.

(vii) Duty at the rate applicable.

(viii) *Landed Cost*.—Total of (ii) to (vii).

(ix) Marketing and distribution charges and profit.

7.16.2 We have estimated the marketing and distribution charges per kilo-litre for Naphtha on the same lines as for other Bulk Refined Products. These are indicated in the statement No. 15.

7.16.3 The cost of supplies ex-inland refineries will be related to he landed cost at the nearest port of supply.

CHAPTER 8.—Demand

8.1 The total sales (excluding deliveries to Foreign Bunkers) of Petroleum Products for each of the years 1961—1964 are given below :—

(In million metric tonnes)

Products	1961	1962	1963	1964
1. Bulk Refined Petroleum Products .	6·51	7·34	8·00	8·89
Growth per cent	100	113	121	136
2. Bitumen & Bitumenous Compounds .	0·41	0·39	0·42	0·51
Growth per cent	100	95	102	124
3. Lubricants and Greases . . .	0·36	0·33	0·37	0·39
Growth per cent	100	92	103	108
4. Specialities	0·15	0·17	0·18	0·18
Growth per cent	100	113	120	120

8.2 The world demand of petroleum products has been increasing in recent years at the annual rate of about 8 per cent. It appears from the above statement that India's consumption is also keeping pace with the world trend.

8.3 The future estimate of All-India consumption, exclusive of deliveries to foreign bunkers, made by the Oil Advisory Committee (consisting of representatives of Government, Indian Institute of Petroleum and the Industry) is given below:—

(In million tonnes)

	1965	1966	1967	1968	1969	1970
1. Bulk Refined Products (including Naphtha) .	10·69	12·28	13·82	16·15	18·67	20·66
2. Bitumen and Bitumenous compounds .	0·55		to			0·80
3. Lubricants & Greases .	0·46	0·50	0·55	0·61	0·67	0·73
4. Specialities .			N. A.			
5. Total (excluding LPG) . .	11·70	12·78	14·37	16·76	19·34	22·19
6. L. P. G. .	N.A.	0·06		to		0·15 (By 1971)

8.4 The Oil Companies generally accepted the above figures to be a fair estimate of the future demand provided the pace of industrialization suffers no serious set-back.

8.5 **Share of the various distributors.**—At the time of OPEC estimate, Burmah Shell and Esso shared between themselves 80 per cent. of the entire trade. Since then the volume of sales of the public sector Indian Oil Corporation Limited has progressively increased and in 1963 the share of these two Companies amounted to 70 per cent., and with Caltex about 85 per cent. The three major private oil companies have represented that due to the expansion of the IOC and other factors they do not expect to distribute in future more than the production of their respective refineries. We have taken into account, in consultation with the Ministry, the relevant factors such as the probable increase in the production of the public sector refineries, the policy concerning the distribution of their products and the handling of deficit imports. We have also examined IOC's plans for expansion of its capacity to handle more products. Even if these plans are carried out in full there will still be a large share of the additional production available to the private oil companies for distribution. Taking into consideration all the different factors, we have come to the conclusion that the three private oil companies (*viz.* Burmah Shell, Esso and Caltex) will continue to distribute 60—65 per cent. of the total demand upto about 1970; the balance being handled by IOC and the smaller companies.

CHAPTER 9—Trend of marketing and distribution charges

9.1 The broad functions through which petroleum products pass before reaching ultimate consumers are Installation/Terminals, Distribution through upcountry depots and Retail outlets. The first two functions are common for almost all petroleum products but Retail Pump Outlets are intended for automotive fuels while Airfield outlets supply aero-fuels. The general management and administration function is there to control all the operations. The unit incidences for each individual product at the respective functions other than administration comprise of direct expenses and indirect expenses. The trend of marketing and distribution charges of each function has been averaged per unit separately for:

(a) Bulk refined products;
(b) Bitumen;
(c) Lubs. and greases;
(d) Others; and
(e) All products.

9.2 In such an analysis the product-mix has a significant influence on the average incidence. The pattern of consumption of petroleum products over the past few years indicated that H.S.D. is picking up faster than Motor Spirit; Aviation Turbine Fuel than Aviation Spirit; and Furnace Oil being in bulk consumption is showing a steep rise. Such a pattern of consumption indicates progressively a favourable mix to result in a decreasing overall average incidence.

9.3 IOC commenced distribution on a small scale in 1960 and their share of the trade upto 1963 was small. The tabulations given below have, therefore, been confined to the three private oil companies.

9.4.1 Burmah Shell Oil Storage and Distributing Co. of India Ltd.

	Unit incidence				Percentage			
	1958	1959	1962	1963	1958	1959	1962	1963
	Rs.	Rs.	Rs.	Rs.	%	%	%	%
				Unit :	Kilo litre			
Refined Products :								
(i) *Installation*								
Volume of sales in million Kls . . .	3·202	3·472	4·169	4·204	100	108	130	131
Volume of expenses in million Rs. .	24·439	25·014	20·236	18·553	100	102	83	76
Incidence Rs. .	7·63	7·20	4·85	4·41	100	94	64	58

	Unit incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
				Unit :	Kilo litre			
(ii) Administration								
Volume of sales in million Kls. . . .	3·202	3·472	4·169	4·204	100	108	130	131
Volume of expenses in million Rs. .	38·207	39·065	39·328	43·438	100	102	103	114
Incidence Rs. .	11·93	11·25	9·43	10·33	100	94	79	87
(iii) Distribution								
Volume of sales in million Kls. .	3·202	3.472	4·169	4·204	100	108	130	131
Volume of expenses in million Rs. .	37·835	37·712	50·396	44·663	100	100	133	118
Incidence Rs. .	11·82	10·86	12·09	10·62	100	92	102	90
(iv) Retail Pump Outlets								
Volume of sales in million Kls. . . .	0·967	1·045	1·316	1·374	100	108	136	142
Volume of expenses in million Rs. .	10·535	11·477	12·383	10·952	100	109	118	104
Incidence Rs. .	10·89	10·99	9·41	7·97	100	101	86	73
(v) Airfields								
Volume of sales in million Kls. .	0·096	0·119	0·189	0·233	100	124	197	243
Volume of expenses in million Rs. .	4·146	4·613	5·123	6·355	100	111	124	153
Incidence Rs. .	43·35	38·87	27·07	27·23	100	90	62	63
Grand total of expenses	115·162	117·881	127·466	123·961	100	102	111	108
All India sales . .	3·202	3·472	4·169	4·204	100	108	130	131
Average Unit incidence Rs.	35·96	33·95	30·57	29·49	100	94	85	82
Bitumen :								
(i) Installation				Unit : Metric ton				
Volume of sales in million	0·164	0·171	0·213	0·225	100	104	130	137
Volume of expenses in million Rs. .	2·917	2·747	3·153	2·951	100	94	108	101
Incidence Rs. .	17·76	16·07	14·78	13·12	100	90	83	73

	Unit incidence				Percentage			
	1958	1959	1962	1963	1958	1959	1962	1963
	Rs.	Rs.	Rs.	Rs.	%	%	%	%
					Unit : Metric ton			
(ii) Administration								
Volume of sales in million . . .	0·164	0·171	0·213	0·225	100	104	130	137
Volume of expenses in million Rs. .	1·812	1·701	1·835	1·826	100	94	101	101
Incidence Rs. .	11·03	9 95	8·60	8·12	100	90	78	74
(iii) Distribution								
Volume of sales in million . . .	0·164	0·171	0·213	0·225	100	104	130	137
Volume of expenses in million Rs. .	0·540	0·766	1·092	1·076	100	142	202	199
Incidence Rs. .	3·29	4·48	5·11	4·79	100	136	156	146
Total of expenses in million Rs. .	5·269	5·214	6·080	5·853	100	99	115	111
All India sales in million	0·164	0·171	0·213	0·225	100	104	130	137
Average unit incidence Rs. . . .	32·07	30·50	28·49	26·03	100	95	89	81
Lubricants and Greases :								
(i) Installation					Unit : Kilo litre			
Volume of sales in million . . .	0·113	0·126	0·143	0·156	100	111	126	137
Volume of expenses in million Rs. .	5·577	5·291	5·271	4·695	100	95	95	84
Incidence Rs. .	49·24	41·98	36·80	30·18	100	85	75	61
(ii) Administration								
Volume of sales in million . . .	0·113	0·126	0·143	0·156	100	111	126	137
Volume of expenses in million Rs. .	3·710	3·778	3·761	3·662	100	102	101	99
Incidence Rs. .	32·76	29·98	26·26	23·55	100	91	80	72

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
				Unit :	Kilo litre			
(iii) Distribution								
Volume of sales in million . . .	0·113	0·126	0·143	0·156	100	111	126	137
Volume of expenses in million . . .	5·271	5·709	6·069	6·486	100	108	115	123
Incidence Rs. .	46·55	45·30	42·37	41·71	100	97	91	90
Grand total of expenses in million . .	14·558	14·778	15·101	14·843	100	102	104	102
All India sales in million units . . .	0·113	0·126	0·143	0·156	100	111	126	137
Average unit incidence Rs. .	128·55	117·26	105·43	95·44	100	91	82	74
Other Products :								
(i) Installation								
Volume of sales in million KL . . .	0·11	0·115	0·147	0·164	100	104	132	148
Volume of expenses in million Rs. .	1·407	1·726	1·403	1·472	100	123	100	105
Incidence Rs. .	12·72	14·97	9·54	8·95	100	118	75	70
(ii) Administration								
Volume of sales in million KL . . .	0·111	0·115	0·147	0·164	100	104	132	148
Volume of expenses in million Rs. .	1·220	1·232	1·449	1·604	100	101	119	131
Incidence Rs. .	11·03	10·68	9·84	9·75	100	97	89	[illegible]
(iii) Distribution								
Volume of sales in million KL .	0·111	0·115	0·147	0·164	100	104	132	148
Volume of expenses in million Rs. .	0·924	0·675	1·647	1·665	100	73	178	180
Incidence Rs. .	8·36	5·85	11·19	10·13	100	70	134	121
Grand total of expenses in million Rs. .	3·355	3·551	4·499	4·741	100	102	127	134
All India sales in million KL .	0·111	0·115	0·147	0·164	100	104	132	148
Grand total of unit incidence Rs. .	32·11	31·50	30·57	28·83	100	98	95	91

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
				Unit :	Kilo litre			
All Products :								
(*i*) *Installation*								
Volume of sales in million KL .	3·591	3·885	4·674	4·749	100	108	130	132
Volume of expenses in million Rs. .	34·340	34·779	30·063	27·671	100	101	88	81
Incidence Rs. .	9·56	8·95	6·43	5·83	100	94	67	61
(*ii*) *Administration*								
Volume of sales in million KL .	3·591	3·885	4·674	4·749	100	108	130	132
Volume of expenses in million Rs. .	44·948	45·776	46·373	50·530	100	102	103	112
Incidence Rs. .	12·52	11·78	9·92	10·64		10094	79	85
(*iii*) *Distribution*								
Volume of Sales in million KL .	3·591	3·885	4·674	4·749	100	108	130	132
Volume of expenses in million Rs. .	44·570	44·862	59·204	53·891	100	101	133	121
Incidence Rs. .	12·41	11·55	12·67	11·35	100	93	102	91
(*iv*) *Retail Pump Outlets*								
Volume of sales in million KL . . .	0·967	1·045	1·316	1·374	100	108	136	142
Volume of expenses in million Rs. .	10·535	11·477	12·383	10·952	100	109	118	104
Incidence Rs. .	10·89	10·99	9·41	7·97	100	101	86	73
(*v*) *Airfields*								
Volume of sales in million KL . . .	0·096	0·119	0·189	0·233	100	124	197	243
Volume of expenses in million Rs. .	4·146	4·613	5·123	6·355	100	111	124	153
Incidence Rs. .	43·35	38·87	27·07	27·23	100	90	62	63
Grand total of expenses in million Rs. .	138·539	141·507	153·146	149·399	100	102	111	108
All India sales in million KL	3·591	3·885	4·674	4·749	100	108	130	132
Average unit incidence Rs. . . .	38·58	36·43	32·77	31·46	100	94	85	82

9.4.2 **Bulk Refined Products.**—The foregoing tabulation shows that the increase in volume handled by Burmah-Shell at the Installation in 1963 is 31 per cent. over 1958, while the expenditure for this function in 1963 showed considerable decrease at 24 per cent. over that of 1958 resulting in the average incidence showing a decrease of 42 per cent. over that in 1958. In the case of Administration function, for a similar increase in volume in 1963 over 1958, the expenditure showed an increase of 14 per cent. over 1958 level resulting in a reduction of 13 per cent. in the unit incidence over 1958. Distribution function also showed an increase of 18 per cent. in the total expenditure with a reduction of 10 per cent. in the total expenditure unit incidence for the same percentage of increase in volume. In spite of the fact that larger portion of Administration expenses can be viewed as fixed when compared to Installation and Distribution, expenses under Installation showed a progressive decrease. It is understood from the company that due to certain modification in the accounting system with a view to better identification of the expenditure with the relevant functions certain heads of accounts were inter-changed. This was one of the reasons attributed by the company for the variations in the expenditure over the years. The other two functions, *viz.*, Retail pump outlets and Airfields have shown considerable decreases in the unit incidence purely brought about by significant increases in the sales volume, especially, in Airfields, for relatively small increase in total expenditure. The trend of unit incidences for other products reflect more or less the same position as for bulk refined products.

9.4.3 The overall marketing and distribution charges for this company for all petroleum products in 1963 showed an increase of 8 per cent. over 1958 for an overall increase of about 32 per cent. in sales resulting in a reduction in the unit incidence of about 18 per cent. over 1958. This decreased unit incidence is the result of certain internal economies effected by the company coupled with the volume increase in 1963. This would indicate that the trend of marketing charges over a period of five years is about 5 to 6 per cent. reduction in the unit incidence for every 10 per cent. increase in the overall volume.

9.5.1 Esso Standard Eastern Inc.

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
					Unit : Kilo litre			
Refined Products :								
(*i*) *Installation*								
Volume of sales in million KL . . .	1·415	1·609	2·184	2·325	100	114	154	164
Volume of expenses in million Rs. .	10·605	11·050	9·733	9·569	100	104	92	90
Incidence Rs. .	7·50	6·87	4·46	4·12	100	92	59	55

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
					Unit : Kilo litre			
(ii) Administration								
Volume of sales in million KL . . .	1·415	1·609	2·184	2·325	100	114	154	164
Volume of expenses in million Rs. .	20·152	22.244	24·827	25·517	100	110	123	127
Incidence Rs. .	14·24	13·82	11·37	10·98	100	97	80	77
(iii) Distribution								
Volume of sales in million KL . . .	1·415	1·609	2·184	2·325	100	114	154	164
Volume of expenses in million Rs. .	13·469	16·265	22·637	23·559	100	121	168	175
Incidence Rs. .	9·52	10·11	10·37	10·13	100	106	109	106
(iv) Retail Pump Outlets								
Volume of sales in million KL . . .	0·445	0·479	0·625	0·653	100	108	140	147
Volume of expenses in million Rs. .	8·203	8·020	9·591	7·953	100	98	117	97
Incidence Rs. .	18·43	16·73	15·34	12·19	100	91	82	66
(v) Airfields								
Volume of sales in million KL . . .	0·041	0·049	0·133	0·199	100	122	328	490
Volume of expenses in million Rs. .	2·048	2·212	3·960	5·261	100	108	193	257
Incidence Rs. .	50·46	44·75	29·72	26·47	100	89	59	52
Total of expenses in million Rs. .	54·477	59·791	70·748	71·859	100	110	130	132
All India sales in million KL . . .	1·415	1·609	2·184	2·325	100	114	154	164
Average Unit incidence Rs. . . .	38·50	37·16	32·39	30·91	100	97	84	80

(NOTE :—In respect of RPO & Airfield Burmah Shell incidence for delivery charges has been included).

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
				Unit : Metric Tons				
Bitumen								
(*i*) *Installation* :								
Volume of sales in million tonnes .	0·054	0·069	0·104	0·110	100	128	193	205
Volume of expenses in million Rs. . .	0·276	0·344	0·469	0·361	100	125	170	131
Incidence Rs. .	5·11	4·99	4·50	3·26	100	98	88	64
(*ii*) *Administration*								
Volume of sales in million tonnes .	0·054	0·069	0·104	0·110	100	128	193	205
Volume of expenses in million Rs. .	0·675	0·841	1·020	0·946	100	125	151	140
Incidence Rs. .	12·52	12·19	9·80	8·56	100	97	78	68
iii) *Distribution*								
Volume of sales in million tonnes .	0·054	0·069	0·104	0·110	100	128	193	205
Volume of expenses in million Rs. .	0·297	0·300	0·713	0·437	100	101	241	147
Incidence Rs. .	5·50	4·36	6·85	3·95	100	79	125	72
Total of expenses in million Rs. .	1·247	1·485	2·202	1·744	100	119	177	140
All India sales in million tonnes	0·054	0·069	0·104	0·110	100	128	193	205
Average Unit incidence Rs.	23·13	21·54	21·16	15·78	100	93	91	68
Lubs. & Greases ·			Unit : Kilo litre					
(*i*) *Installation*								
Volume of sales in million KL	0·067	0·067	0·115	0·116	100	99	171	172
Volume of expenses in million Rs. .	1·366	1·508	1·905	1·303	100	110	140	95
Incidence Rs. .	20·23	22·52	16·54	11·26	100	111	82	56

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
				Unit : Kilo litre				
(ii) Administration								
Volume of sales in million KL . . .	0·067	0·067	0·115	0·116	100	99	171	172
Volume of expenses in million Rs. .	2·695	2·621	3·505	2·901	100	97	180	108
Incidence Rs. .	39·94	39·15	30·43	25·06	100	98	76	63
(iii) Distribution								
Volume of sales in million KL . . .	0·067	0·067	0·115	0·116	100	99	171	172
Volume of expenses in million Rs. .	1·731	1·720	3·030	3·373	100	97	175	137
Incidence Rs. .	25·65	25.68	26·30	20·50	100	100	103	80
Total of expenses in million Rs. .	5·792	5·849	8·440	6·577	100	101	146	113
All India sales in million KL	0·067	0·067	0·115	0·116	100	99	171	172
Average Unit incidence Rs. . . .	85·82	87·35	73·27	56·82	100	102	85	66
Other Products :								
(i) Installation								
Volume of sales in million KL . . .	0·029	0·028	0·048	0·043	100	95	167	148
Volume of expenses in million Rs. .	0·410	0·392	0·430	0·306	100	96	105	75
Incidence Rs. .	14·17	14·26	8·89	7·14	100	100	63	50
(ii) Administration								
Volume of sales in million KL . . .	0·029	0·028	0·048	0·043	100	95	167	148
Volume of expenses in million Rs. .	0·663	0·625	0·786	0·593	100	94	119	90
Incidence Rs. .	22·89	22·69	16·24	13·83	100	99	71	60

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
					Unit : Kilo litre			
(iii) Distribution								
Volume of sales in million KL . . .	0·029	0·028	0·048	0·043	100	95	167	148
Volume of expenses in million Rs. .	0·272	0·314	0·537	0·446	100	115	198	164
Incidence Rs. .	9·39	11·41	11·09	10·40	100	121	118	111
Total of expenses in million Rs. . . .	1·345	1·331	1·753	1·345	100	99	130	100
All India sales in million KL . . .	0·029	0·028	0·048	0·043	100	95	167	148
Average Unit incidence Rs. . . .	46·45	48·36	36·22	31·37	100	104	78	68
All Products :								
(i) Installation								
Volume of sales in million KL . . .	1·565	1·772	2·451	2·593	100	113	157	166
Volume of expenses in million Rs. .	12·655	13·294	12·537	11·539	100	105	99	91
Incidence Rs. .	8·09	7·50	5·12	4·45	100	93	63	55
(ii) Administration								
Volume of sales in million KL . . .	1·565	1.772	2.451	2·593	100	113	157	166
Volume of expenses in million Rs. .	24·184	26·330	30·138	29·958	100	109	125	124
Incidence Rs. .	15·45	14·86	12·30	11·55	100	96	80	75
(iii) Distribution								
Volume of sales in million KL . . .	1·565	1·772	2·451	2·593	100	113	157	166
Volume of expenses in million Rs. .	15·769	18·599	26·917	26·814	100	118	171	170
Incidence Rs. .	10·08	10·50	10·98	10·34	100	104	109	103

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
				Unit : Kilo litre				
(iv) Retail Pump Outlet								
Volume of sales in million KL . . .	0·445	0·479	0·625	0·653	100	108	140	147
Volume of expenses in million Rs. .	8·203	8·020	9·591	7·953	100	98	117	97
Incidence Rs. .	18·42	16·73	15·34	12·19	100	91	83	66
(v) Airfields								
Volume of sales in million KL . . .	0·041	0·049	0·133	0·199	100	122	328	490
Volume of expenses in million Rs. .	2·048	2·212	3·959	5·261	100	108	193	257
Incidence Rs. .	50·46	44·75	29·72	26·47	100	89	59	52
Total of expenses in million Rs. .	62 859	68·455	83·143	81·525	100	109	132	130
All India sales in million KL . . .	1·565	1.772	2·451	2·593	100	113	157	166
Average unit incidence Rs.	40·17	38·63	33·92	31·44	100	96	84	78

9.5.2 **Bulk Refined Products.**—The foregoing tabulation shows that the volume of sales handled at the Installation in 1963 by ESSO has gone up by 64 per cent. compared to 1958 while the expenditure for this function has gone down by 10 per cent. resulting in a decrease of 45 per cent. in the average incidence. As regards Administration function, for a similar increase in volume in 1963 over 1958, the expenditure has increased by 27 per cent. over 1958 level. The unit incidence in 1963 shows, however, a decrease of 23 per cent. as the expenses have not increased in proportion to the increase in sales volume. In the case of distribution function for a similar increase in volume of 64 per cent. in 1963 over 1958, the expenses have gone up by 75 per cent. resulting in an increase of 6 per cent. in the average unit incidence. This increase has been brought about by increase in expenses under the sub-functions, advertising, district offices, bridging charges and depreciation more than proportionate to sales increase. It was, however, seen that the method adopted by the company for the compilation of bridging charges was not altogether correct inasmuch as bridging charges unfavourable to the company were only compiled under this head of account and bridging charges favourable to the company were excluded. The increase under district office may be due to certain re-allocation of work under

the main functions—Installation and Distribution. As regards depreciation, increase is probably due to volume of trade not growing as fast as the additional facilities provided. Under the function Retail Pump outlet, the volume of sales has increased by 47 per cent. over that of 1958 while there is a decrease of 3 per cent. in expenses. This has resulted in a decrease of 34 per cent. in unit incidence. There was, however, some increase under depreciation and this was attributed by the company to the proportion of owned *versus* leased outlets increasing in accordance with company's policy. The other function of Airfield outlet shows considerable decrease in the unit incidence purely brought about by very high increase in the sales volume for relatively small increase in total expenditure. The expenses in 1962-63 under Retail Pump Outlets and Airfield outlets are duly adjusted for free delivery zone charges on the experience of Burmah Shell. The delivery charges indicated by this Company include all recoverable and non-recoverable charges.

9.5.3 The trend of unit incidence for other products reflect more or less the same position as for bulk refined products though the percentage of decrease in the overall unit incidence in their case is more pronounced than in the case of bulk refined products.

9.5.4 The overall marketing and distribution charges for this company in 1963 have gone up by 30% over 1958 for an overall increase of about 66% in sales, resulting in a decrease of 22% in unit incidence. As in the case of Burmah Shell, this decrease has been brought about by increase in the volume of sales and by certain internal economies. The trend of sales and expenditure coupled with the product-mix indicates that for each 10% increase in sales the expenses increase by about 5% thereby showing a decreasing overall impact of 3·3% for every 10 per cent. increase in sale.

9.6.1 **Caltex (India) Ltd.**

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
			Unit : KL					
Refined Products :								
(*i*) *Installation*								
Volume of sales in million KL . . .	0·997	1·147	1·574	1·643	100	117	161	168
Volume of expenses in million Rs. . .	9·119	10·346	9·137	8·727	100	113	100	96
Incidence Rs. . .	9·33	9·02	5·67	5·09	100	97	61	55
(*ii*) *Administration*								
Volume of sales in million KL . . .	0·977	1·147	1·579	1·643	100	117	162	168
Volume of expenses in million Rs. . .	14·864	15·311	16·646	17·256	100	103	112	116
Incidence Rs. . .	15·22	13·35	10·54	10·50	100	88	69	69

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
	Unit : KL							
(iii) Distribution								
Volume of sales in million KL . . .	0·977	1·147	1·579	1·643	100	117	162	168
Volume of expenses in million Rs. . .	10·101	12·490	17·868	17·856	100	124	177	177
Incidence Rs. . .	10·34	10·89	11·31	10·87	100	105	109	105
(iv) Retail Pump Outlets								
Volume of expenses in million KL . .	0·329	0·372	0·533	0·561	100	113	162	171
Volume of sales in million Rs.	5·146	5·004	6·695	7·038	100	97	130	137
Incidence Rs. . .	15·64	13·46	12·55	12·54	100	86	80	80
Total of expenses in million Rs. . .	39·230	43·151	50·346	50·877	100	110	128	130
All India sales in million KL	0·977	1·147	1·579	1·643	100	117	162	168
Average unit incidence . Rs.	40·15	37·62	31·88	30·97	100	94	79	77
			Unit : M. Ton					
Bitumen :								
(i) Installation								
Volume of sales in million tonnes	0·042	0·055	0·056	0·066	100	131	133	157
Volume of expenses in million Rs. . .	0·585	0·729	0·262	0·187	100	125	45	32
Incidence Rs. . .	14·01	13·24	4·69	2·81	100	94	33	20
(ii) Administration								
Volume of sales in million tonnes . . .	0·042	0·055	0·056	0·066	100	131	133	157
Volume of expenses in million Rs. . .	0·564	0·578	0·510	0·521	100	102	90	92
Incidence Rs. . . .	13.52	10.48	9·11	7·84	100	78	67	58
(iii) Distribution								
Volume of sales in million tonnes . . .	0.042	0.055	0·056	0·066	100	131	133	157
Volume of expenses in million Rs. . .	0.308	0.261	0·189	0·179	100	85	61	[illegible]
Incidence Rs. . .	7·38	4·73	3·37	2·70	100	64	46	37

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
			Unit : M. Ton					
Total of expenses in million Rs. . .	1·457	1·568	0·961	0·887	100	108	66	61
All India sales in million tonnes	0·042	0·055	0·056	0·066	100	131	133	157
Average Unit Incidence Rs.	34·91	28·45	17·17	13·35	100	81	49	38
			Unit : KL					
Lubs and Greases :								
(*i*) *Installation*								
Volume of sales in million KL . . .	0·043	0·045	0·056	0·057	100	105	130	133
Volume of expenses in million Rs. . .	1·439	1·520	0·583	0·480	100	106	41	33
Incidence Rs. . .	33·82	34·04	10·38	8·39	100	101	31	25
(*ii*) *Administration*								
Volume of sales in million KL . . .	0·043	0·045	0·056	0·057	100	105	130	133
Volume of expenses in million Rs. . .	1·744	1·599	1·572	1·356	100	92	90	78
Incidence Rs. . .	40·98	35·81	28·01	23·71	100	87	68	58
(*iii*) *Distribution*								
Volume of sales in million KL . . .	0·043	0·045	0·056	0·057	100	105	130	133
Volume of expenses in million Rs. . .	0·933	0·814	0·480	0·450	100	87	51	48
Incidence Rs. . .	21·92	18·22	8·55	7·87	100	83	39	36
Total of expenses in million Rs. . .	4·116	3·933	2·635	2·286	100	91	49	41
All India sales in million KL	0·043	0·045	0·056	0·05	100	105	130	133
Average unit incidence Rs. . .	97.72	88.07	46.94	39·97	100	91	49	41

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
			Unit : KL					
Other Products :								
(*i*) *Installation*								
Volume of sales in million KL . . .	0·010	0·010	0·016	0·014	100	100	160	140
Volume of expenses in million Rs. .	0·082	0·113	0·051	0·041	100	138	62	50
Incidence Rs. . .	8·19	10·93	3·25	3·03	100	133	40	37
(*ii*) *Administration*								
Volume of sales in million KL	0·010	0·010	0·016	0·014	100	100	160	140
Volume of expenses in million Rs. . .	0·122	0·109	0·116	0·084	100	89	95	69
Incidence Rs. . .	12·23	10·55	7·36	6·13	100	86	60	50
(*iii*) *Distribution*								
Volume of sales in million KL . .	0·010	0·010	0·016	0·014	100	100	160	140
Volume of expenses in million Rs. . .	0·067	0·051	0·037	0·024	100	76	55	36
Incidence Rs. . .	6·74	4·93	2·35	1·79	100	73	35	27
Total of expenses in million Rs. . .	0·271	0·273	0·204	0·149	100	64	75	55
All India sales in million KL . .	0·010	0·010	0·016	0·014	100	100	160	140
Average unit incidence Rs. . . .	27·16	26·41	12·96	10·95	100	62	48	40
All Products :								
(*i*) *Installations*								
Volume of sales in million KL . . .	1·073	1·259	1·705	1·783	100	117	159	166
Volume of expenses in million Rs. .	11·225	12·708	10·033	9·43	100	113	89	84
Incidence Rs. . . .	10·46	10·09	5·87	5·29	100	96	56	51

	Unit Incidence				Percentage			
	1958 Rs.	1959 Rs.	1962 Rs.	1963 Rs.	1958 %	1959 %	1962 %	1963 %
			Unit : KL					
(ii) Administration								
Volume of sales in million KL	1·073	1·259	1·709	1·783	100	117	159	166
Volume of expenses in million Rs. . . .	17·294	17·598	18·844	19·216	100	102	109	111
Incidence Rs. . . .	16·12	13·97	11·02	10·77	100	87	68	67
(iii) Distribution								
Volume of sales in million KL	1·073	1·259	1·709	1·783	100	117	159	166
Volume of expenses in million Rs. . . .	11·409	13·616	18·574	18·509	100	119	163	162
Incidence Rs. . . .	10·64	10·81	10·87	10·38	100	102	102	98
(iv) Retail Pump Outlets								
Volume of sales in million KL	0·329	0·372	0·533	0·561	100	113	162	171
Volume of expenses in million Rs. . . .	5·146	5·004	6·695	7·038	100	97	130	137
Incidence Rs. . . .	15·64	13·46	12·55	12·54	100	86	80	80
Total of expenses in million Rs. . . .	45·073	48·925	54·146	54·199	100	102	120	120
All India sales in million KL	1·073	1·259	1·709	1·783	100	117	159	166
Average unit incidence Rs.	42·02	38·85	31·67	30·39	100	92	75	72

9.6.2 **Bulk Refined Products.**—It can be seen from the above tabulation that under the three functions *viz.*, Installation, Administration and Distribution, there has been a volume increase of 68% in 1963 over 1958. Corresponding to this volume the expenditure under Installation showed a 4% decrease, in Administration 16 per cent. increase and under Distribution 77% increase over 1958 levels. The result of this was a substantial reduction of 45% in the unit incidence at Installation, 31% reduction under Administration and an increase of 5% under Distribution. Under Distribution increase in expenditure was more than proportionate to the increase in volume resulting in the unit incidence recording an increase of 5%. As regards Retail pump outlets, there has been a substantial drop in unit incidence of 20 per cent being the result of 37% increase in

expenditure for a 71 per cent increase in volume. Taking all the functions it can be seen that for a 68 per cent increase in volume the expenses recorded an increase of about 30 per cent only. The weighted average unit incidence showed thus a reduction of 23 per cent.

9.6.3 By and large, the same trend is visible in regard to all products also with the exception of Distribution function where a two per cent reduction in the unit incidence only is seen. This is primarily due to the lower level of expenditure in regard to other products *vis-a-vis* bulk refined products.

9.6.4 The trend of expenses and volume along with the product-mix over 1958 to 1963 for this company also indicates that for every 10 per cent increase in bulk refined products the expenses increase by about 4·5 per cent thereby the average unit incidence decreasing by about 3·4 per cent. If we make a similar analysis for all products the trend is more favourable as for each 10 per cent increase in sales the expenses increase only by about 3 per cent. thereby the unit average incidence drops by about 4 per cent. The economy in the average incidence of this company in lubs. and specialities is more marked than the other two companies.

9.7 It will be observed from the foregoing analysis that the marketing and distribution charges of the private oil companies show, by and large, a downward trend; contributed by the increase in sales volume favourable product-mix and the internal economies affected by them. The function-wise incidence of the Bulk Refined Products, Bitumen, etc. for the years 1962-1693 examined by us for the different companies is indicated in Annexure-1.

CHAPTER 10—Future estimate of Marketing and Distribution charges

10.1 We have indicated in Chapter 8 the estimated demand of petroleum products for the years 1965 to 1970 and the volume likely to be handled by the three major private oil companies. Although IOC is gradually becoming one of the major distributors of oil products we have not been able to include this company in the estimation of future charges as its data function-wise were not available. We have, therefore, to base our estimate on the data obtained from the three private oil companies, who will continue to handle the major share of the trade.

10.2 We have estimated the share of the three private oil companies during the years 1966 to 1968 at an average of 5·663 million kls. for Burmah Shell; 3·296 million kls. for Esso and 2·172 million kls. for Caltex, per annum, excluding Boiler Fuel, Hot Heavy Stock, Low Sulphur Fuel Oil, Naphtha, Liquid Petroleum Gas, Chemicals, Paraffin Wax and Aromex. This anticipated off-take will together form about 60% of the total sales.

10.3 The actual sales in 1963 by these three companies of the covered products were 4·726 million kls. by Burmah Shell, 2·590 million kls. by Esso and 1·783 million kls. by Caltex. This will indicate that we have estimated an increase of 20% for Burmah Shell (an average increase of about 5% per year over 1963); 27% for Esso (an average increase of about 6·75 per cent. over 1963), and 22 per cent. for Caltex (an average increase of 5·5 per cent. over 1963). For all the three companies put together, we have estimated an increase of about 22 per cent. over their 1963 sales (an average increase of 5·5 per cent. per year). The aforesaid growth rate has been determined with due regard to the overall growth in demand, the present capacity and the future plans of IOC, the capacity of the private oil companies and their performance in the previous years.

10.4 Marketing and distribution charges of petroleum products comprise fixed and variable expenses, the latter depending upon both volume and product-mix. The extent of variation will also depend upon the function under which such expenses are incurred. In estimating the marketing and distribution charges we have recognised the above factors and also made adequate provision to cover any anticipated increase in price levels.

10.5 We have provided charges for effecting free delivery of Motor Spirit and HSD at the retail pump outlets within the free delivery zone as now current and upto the airfield outlets for Aviation Turbine Fuel and Aviation Spirits/Gasolenes.

10.6 In the assessment of charges, we have excluded expenses arising from donations, loss on sale of assets, interest, bad debts and

annual bonus. The oil companies have represented to us that these items should also form part of marketing charges. In conformity with the practice followed by the Tariff Commission and other price fixing authorities, donations, loss on sale of assets and bad debts are not treated as items of cost. Interest is also not treated as an item of cost but long term borrowings have been included in the working capital and return provided thereon. We have studied the situation arising from the Payment of Bonus Ordinance, 1965 (No. 3 of 1965) and are of the view that bonus payments should be met, as heretofore, out of the profits provided in the price structure.

10.7 Table below indicates the comparison between the marketing and distribution charges as estimated by us for the period 1966/68 with those estimated by OPEC for the period 1961-63.

S. No.	Product	Unit	OPEC charges	As estimated now for Industry
			Rs.	Rs.
1.	Aviation Spirit	KL	88·61	85·25
2.	Aviation Turbine Fuel	KL	42·08	40·88
3.	Motor Spirit	KL	55·35	53·79
4.	High Speed Diessel Oil	KL	43·33	38·37
5.	Kerosenes	KL	24·41	23·79
6.	Vaporising Oil	KL	40·17	38·35
7.	Light Diesel Oil	KL	19·56	17·65
8.	Furnace Oil	M.T.	8·83	7·07
9.	Bitumen	M.T.	23·88	22·00
10.	Lubs. and Greases	KL	93·08	73·73
11.	Specialities	KL	24·90	17·66

10.8 The average unit incidence indicated against Lubricants and Greases will cover all types of Aviation, Automotive and other Industrial Lubricants and all types of Greases. The average unit incidence estimated for specialities will cover products coming under Solvent Oils, Jute Batching Oil, Mineral Turpentine, Roofing materials and Household Specialities, thus covering items other than Paraffin Wax and Aromex/Iomex.

10.9 On the anticipated volume of the three major oil companies, the total reduction in charges will amount to Rs. 31·3 million per annum compared to charges at OPEC levels.

CHAPTER 11—Profit

11.1 In OPEC formulation profit margin to the marketing companies was conceded at 12% on capital employed. The major oil companies have represented to us that on account of exclusion of the expenditure on interest, bonus, donations, bad debts etc. (para. 10·6), in the determination of marketing and distribution charges in the price formulation, the net return on the capital employed at current taxation is 3 to 4 per cent. They have pressed for provision being made on a more generous scale for the profit margin in order to bring the petroleum industry on a level comparable to big industries in India and abroad.

11.2 As stated earlier, these companies and their associates producing the crude are owned by the same principal/principals and their operations are integrated vertically from extraction of crude to its disposal to the ultimate consumers in the form of products and the profit of the marketing operation should not be viewed in isolation. It will not, therefore, be appropriate to compare their operations with the other industries operating in this country, unless their overall profitability right from production of crude to the marketing of refined products is known. As already mentioned earlier one of the main objects of investment of these companies in India is to provide an assured outlet for the crudes and products of their group.

11.3 The profits earned by these companies and their principals outside India on crudes and products sent to India are not known to us. The profits on crude are reported to be high. We have accordingly given in Chapter 3 the integrated profitability of the refining and marketing operations in India. This analysis shows that the integrated operations of Burmah Shell in 1962 and 1963 yielded average return of 18·96 per cent. and 19·93%, respectively; the corresponding figures for Esso being 12·26% and 9·61 per cent. In case the companies had prevailed on their suppliers to concede discounts on products at the recommended rates (which they did according to published reports on imports to Pakistan), their profitability would have been more than what is exhibited in the published acounts. The combined profitability of refining and marketing operations would further improve if the fall in the prices of crude oils in the world market were fully reflected in the prices charged for crude oils by their principals.

11.4 The Companies may examine the possibility of effecting economy in the cost of their operations. A few points have struck us in this connection. As on 1.1.65 there were nearly 70 persons in the three major private oil companies drawing emoluments exceeding Rs. 5,000 p.m. In spite of the recommendation of the Oil Price Enquiry Committee of July 1961 to reduce (and eventually eliminate

altogether) the overseas expenses of the Head Offices, no attempt has been made in that direction. On the other hand, there has been some increase in this item as detailed in Chapter 12.

11.5 We consider a return of 12% on capital employed as fair and reasonable for the marketing activity. This is generally in line with the policy followed by the Tariff Commission for price fixations.

11.6 We have recognised the net fixed assets as reflected in the published accounts, with adequate provision for the future increase in volume and working capital (equivalent to 1/5th the annual cost of sales). Based on the figures for Burmah Shell, Esso and Caltex, we have estimated the requirements of capital employed for the increased volume of sales estimated by us for the future at Rs. 1,153 million comprising Rs. 295 million towards fixed assets and Rs. 858 million towards working capital. This assessment has been made on the basis of the discounted f.o.b. cost of products as recommended in Chapter 6. The capital employed estimated by us for future would work out to about Rs. 103·00 per kilolitre. The return at 12% on the capital employed of Rs. 1,153 million comes to about Rs. 138·4 million. This when related to the average of the Bombay and Calcutta port ex-storage cost works out to 3·25%. The profit margins calculated at this rate are indicated below for the various petroleum products.

Products	Unit	Rs.
Aviation Spirit	KL	24·09
Aviation Spirit 115—145	KL	24·57
Aviation Spirit 73	KL	23·29
Aviation Turbine Fuel	KL	11·37
Motor Spirit	KL	20·67
H. S. D.	KL	18·73
Kerosene Superior	KL	11·48
Kerosene Inferior	KL	8·84
Vaporising Oil	KL	19·22
L. D. O.	KL	11·32
Furnace Oil	MT	4·33
Bitumen Straight	MT	10·21
Bitumen Cut-back B. S.	MT	11·36
Bitumen Cut-back R.C.	MT	11·68
Lubricants and Greases	KL	20·39
Specialities (excluding Aromex Paraffin Wax and chemicals and Boiler fuels)	KL	7·54

CHAPTER 12—Payments by the private oil companies towards Overseas Offices

12.1 During the last enquiry, it was observed that S.V.O.C. (now Esso) paid in foreign exchange approximately Rs. 2·836 million in 1958 and Rs. 2·967 million in 1959 to its London and New York offices towards services rendered in obtaining supplies of crude and products and other incidental assistance. Such payments were not considered justified. The company was accordingly called upon to reduce (and eventually eliminate altogether) such payments. It has been noticed during this enquiry that similar payments in foreign exchange have also been made by other companies towards the cost of their New York/London offices. The total amounts paid in dollar/sterling by the different companies over the last five years are shown below:—

(Rs. million)

	Esso	Burmah Shell	A.O.C.	B.O.C. (I.T.)	Total
1960	3·780	3·870	3·339	0·460	11·449
1961	3·690	4·383	3·339	0·446	11·858
1962	3·330	3·830	1·469	0·668	9·297
1963	3·760	3·659	1·469	0·334	9·232
1964	4·100	4·364	1·736	0·534	10·734

12.2 The payments in question are said to be made by the companies to meet their share of the cost of their overseas offices towards programming and procurement of supplies, provision of training facilities and technical and economic advice received. The increase in expenses has been attributed to general increase in costs. One of the companies has also partly attributed the increase to progressive Indianization of their staff over the last few years, necessitating more frequent consultation with Head Office experts.

12.3 The stabilisation of the operations of the refineries in India and the experience attained in their working should gradually reduce dependence on overseas offices in regard to refining and marketing problems. One of the main objects of Indianization is to build expertise in India. This object does not seem to have been achieved, if the need for consultation with foreign experts has increased. It is satisfactory to note that one Company does not make such payments on its marketing operations. On the refinery side, if technical assistance is required by that Company on specified projects, the actual cost of such assistance is paid, subject to a limitation reported to be laid down by the Reserve Bank of India, which is said to have never been exceeded.

12.4 In view of all these considerations, we would strongly urge the companies to endeavour their utmost to reduce substantially expenditure under this head.

CHAPTER 13—Packed/Bulk differential for 18·5 litre tins.

13.1 Kerosene is also sold in 18·5 litre tins. The basic ceiling selling prices provide a packed/bulk differential for supplies in 18·5 litre tins. The cost of manufacture and filling-in expenses per 100 tins in 1962 and 1963 for Burmah Shell and Caltex were as under (Esso has not provided necessary data for our scrutiny in this regard):—

	Burmah Shell		Caltex	
	1962	1963	1962	1963s
			(Rupees per 100 tins)	
1. Cost of tin plate	167·33	169·41	166·94	175·98
2. Less scrap	2·20	2·38	0·16	0·10
3. Net cost of tin plate	165·13	167·03	166·78	175·88
4. Other materials	14·46	17·52	6·24	7·58
5. Manufacturing cost	17·77	18·51	13·64	15·05
6. Total	197·36	203·06	186·66	198·51
7. Filling-in expenses	6·71	7·43	2·60	2·36
8. Total	204·07	210·49	189·26	200·87
9. Average consumption of tin plates for 100 tins in kg.	113·89	115·08	118·62	117·51

13.2 Burmah Shell have provided data on estimated costs of imported and indigenous tin plates. No such information has been furnished by the other companies. For the estimated tin plate cost, an average of Rs. 1,900 per tonne for indigenous and imported plates has been adopted for future. Credit for scrap has been assumed at 1·25% on the basis of Burmah Shell experience. For 100 tins consumption of tin plate has been assumed at 115·53 kgs. The manufacturing and filling-in expenses are based on the experience of Burmah Shell and Caltex for 1963.

13.3 The estimated cost of manufacture and filling-in expenses of Rs. 2·56 per 18·5 litre tin is made up as follows:—

	(Rs. per 100 tins.)	
Cost of tin plate for 115·53 kgs. @ Rs. 1,900 per M. Ton	219·51	
Less scrap	2·74	
	216·77	
Other materials	14·81	
Manufacturing cost	17·56	
Filling-in costs	7·27	
	256·41	
Or say . .	2·56	per tin

13.4 Suitable adjustment may be made in the prices of the container for any variation in the price of tinplate.

CHAPTER 14—Basic ceiling selling prices ex companies' storage/ selling points on 1-7-65.

The basic ceiling selling prices ex companies' storage selling points as in force on 1st July, 1965 are shown in the table below, along with the ceiling rates in force in regard to marketing and distribution charges and profit for Lubricants, Greases and Specialties:—

PRODUCTS	SELLING UNIT	BOMBAY	KANDLA	OKHA	MARMA GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Aviation Spirit 100/130 :—	K.L.								
(a) Ex-Storage points		737·30	732·42	..	732·12	..	747·85	..	759·89
(b) Ex-International Airfields		775·58	770·70	..	..	..	786·13	..	798·17
(c) Ex-Other Airfields		793·08	788·20	..	787·90	..	803·63	..	815·67
2. Aviation Spirit 115/145 :—	K. L.								
(a) Ex-Storage points		756·77	..	..	751·49	..	767·32	..	779·35
(b) Ex-International Airfields		795·05	..	..	..	..	805·60	..	817·63
(c) Ex-Other Airfields		812·55	..	..	807·27	..	823·10	..	835·13
3. Aviation Spirit 73 ON :—	K.L.								
(a) Ex-Storage points		715·16	..	..	..	..	..	..	733·72
(b) Ex-International Airfields		753·44	..	..	..	..	..	..	772·00
(c) Ex-Other Airfields		770·94	..	..	..	..	..	..	789·50
4. Aviation Turbine Fuel :—	K.L.								
(a) Ex-Storage points		330·70	330·59	331·94	332·12	..	343·83	..	345·98
(b) Ex-International Airfields		355·14	355·03	356·38	..	..	368·27	..	370·42
(c) Ex-Other Airfields		372·64	372·53	373·88	374·06	..	385·77	..	387·92
5. Motor Spirit :—	K.L.								
(a) Ex-Port Local Pumps (Within free Delivery Zone)		702·02	701·54	704·35	699·18	702·65	708·16	708·21	718·00
(b) Ex-Upcountry Pumps (Do.)		715·77	715·29	718·10	712·93	718·40	721·91	721·96	731·75
6. High Speed Diesel Oil :—	K.L.								
(a) Ex-Storage Points		599·47	599·18	601·27	701·40	601·84	611·01	607·99	610·17
(b) Ex-Port Local Pumps (Within Free Delivery Zone)		623·67	623·38	625·47	625·60	626·04	635·21	632·19	636·57
(c) Ex-Upcountry Pumps (Do.)		623·67	623·38	625·47	625·60	626·04	635·21	632·19	636·57
(d) Ex-Agents (Do.)		623·67	623·38	625·47	625·60	626·04	635·21	632·19	636·57

PRODUCTS	SELLING UNIT	BOMBAY	KANDLA	OKHA	MARMA GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ex-Storage Points only									
7. Kerosene Superior	K.L.	359·62	360·33	360·86	358·85	360·03	368·90	368·08	372·98
8. Kerosene Inferior	,,	276·40	278·26	..	280·68	281·76	289·26	288·16	293·89
9. Vaporising Oil	,,	601·56	601·45	..	603·14	..	616·88	..	619·04
10. Light Diesel Oil	,,	360·75	356·04	358·62	359·90	361·03	372·28	369·25	375·84
11. Furnace Oil	M.T.	141·37	139·36	141·01	139·03	140·35	156·25	154·74	158·87
12. Bitumen Straight	,,	322·03	331·70	332·46	332·56	332·20	331·70	336·62	341·54
13. Bitumen Cutback B.S.	,,	369·09	378·76	379·52	379·62	379·26	378·76	383·68	388·60
14. Bitumen Cutback R.C.	,,	369·09	378·76	379·52	379·62	379·26	378·76	383·68	388·60
Charges and Profits only									
15. Lubricants and Greases	K.L.	123·02	123·02	123·02	123·02	123·02	123·03	123·02	123·02
16. Other Specilties	,,	31·28	31·28	31·28	31·28	31·28	31·28	31·28	31·28

CHAPTER 15—Future Basic Ceiling Selling Prices and Pricing of LPG

15.1. The detailed break-up of the basic ceiling selling prices, estimated by us for Bulk Refined Products, Bitumen and Bituminous compounds and Naphtha at the various ports are shown in Statements Nos. 1—15 and a summary thereof is given in the table below alongwith the ceiling limits for marketing and distribution charges and profit for lubricants and greases and specialties:—

Estimated Ceiling Selling Prices Ex-Oil Companies storage points etc., for Refined Products as on 1-7-1965

Products	Selling Unit	BOMBAY	KANDLA	OKHA	MARMA GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. *Aviation Spirit* 100/130	KL								
Ex-Storage points		756·50	753·98	752·60	751·17	753·08	757·45	756·02	773·96
Ex-International Airfields		789·14	786·62	785·24	783·81	785·72	790·09	788·66	806·60
Ex-Other Airfields		806·64	804·12	802·74	801·31	803·22	807·59	806·16	824·10
2. *Aviation Spirit* 115/145	KL								
Ex-Storage points		772·01	769·46	768·08	766·58	768·56	772·85	771·43	789·37
Ex-International Airfields		804·65	802·10	800·72	799·22	801·20	805·49	804·07	822·01
Ex-Other Airfields		822·15	819·60	818·22	816·72	818·70	822·99	821·57	839·51
3. *Aviation Spirit* 73 *clear*	KL								
Ex-Storage points		731.30	728.77	727.39	725.93	727.87	732.31	730.78	748.72
Ex-International Airfields		763.94	761.41	760.03	758.57	760.51	764.85	763.42	781.36
Ex-Other Airfields		781.44	778.91	777.53	776.07	778.01	782.35	780.92	798.86
4. *Aviation Turbine Fuel*	KL								
Ex-Storage points		356.38	361.67	358.77	359.16	358.25	362.49	364.06	366.04
Ex-International Airfields		374.23	379.52	376.62	377.01	375.10	380.34	381.91	383.89
Ex-Other Airfields		391.73	397.02	394.12	394.51	393.60	397.84	399.41	401.39
5. *Motor Spirit* 79	KL								
Ex-Storage points		648.08	645.55	644.17	642.72	544.65	648.99	647.56	665.61
Ex-Port Local Pumps		702.63	700.10	698.72	697.27	699.20	703.54	702.11	720.06
Ex-Up Country Pumps		702.63	700.10	698.72	697.27	699.20	703.54	702.11	720.06
6. *High Speed Diesel Oil*	KL								
Ex-Storage points		591.89	590.25	591.52	589.76	590.28	598.17	594.84	598.32
Ex-Port Local Pumps		618.58	616.94	618.21	616.45	616.97	624.86	621.53	625.01
Ex-Up Country Pumps		618.58	616.94	618·21	616.45	616.97	624.86	621.53	625.01
Ex-Agents		607.58	605.94	607.21	605.45	605.97	613.86	610.53	614.01

Products	Selling Unit	BOMBAY	KANDLA	OKHA	MARMA GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
Ex-Storage Point Prices only									
7. Kerosene Superior	KL	359·80	361·66	362·10	361·07	361·67	365·93	365·70	369·47
8. Kerosene Inferior	KL	275·86	277·75	278·29	277·19	277·77	282·09	281·85	285·63
9. Vaporising Oil	KL	605·54	607·45	607·99	606·91	607·46	611·83	613·40	615·37
10. Light Diesel Oil	KL	356·26	354·69	355·96	354·27	354·80	362·75	359·42	363·30
11. Furnace Oil	MT	133·11	131·65	133·01	131·40	132·02	140·72	137·14	141·98
12. Bitumen Straight Grades . . .	MT	295·34	338·76	339·51	338·17	337·82	348·59	350·96	353·63
13. Bitumen Cutbacks	MT	338·39	368·47	369·22	367·88	367·53	378·47	380·96	383·63
14. Bitumen Cutback RC . . .	MT	348·58	378·66	379·41	378·07	377·72	388·66	391·15	393·82
15. Naphtha	KL	57·32	56·36	57·31	56·17	56·62	62·97	60·43	63·87
Charges and Profits only									
16. Lubricants and Greases . . .	KL	94·12	94·12	94·12	94·12	94·12	94·12	94·12	94·12
17. Other Specialities	KL	25·20	25·20	25·20	25·20	25·20	25·20	25·20	25·20

NOTES:—(*i*) Motor Spirit and High Speed Diesel Oil: The prices at Retail Pump Outlets are within free delivery zones and for Retail Pump Outlets beyond free delivery zones, charges for delivery can be levied at actual rates.

(*ii*) Fixed commission to agents at the existing rates as indicated below for the respective products together with any extra cost at actual rates incurred by the agents can be levied for sales ex-their godowns:

H.S.D.	Rs. 6·60 per kilolitre
Kerosene	Rs. 7·70 per kilolitre
Vaporising Oil	Rs. 6·60 per kilolitre
L.D.O.	Rs. 6·60 per kilolitre

(*iii*) A differential of Rs. 2·56 per 18·5 litre tin for delivery of Bulk Refined Products in packed containers can be charged.

15.2. The basic ceiling selling prices for each of the ports for the various Bulk Refined Products and Bitumen are applicable as under: —

Aviation Spirit/Aviation Gasoline and Aviation Turbine Fuel.	Ex Oil Company,s storage points and ex-Airfield outlets.
Motor Spirit and High Speed Diesel Oil.	Ex-Oil Company,s storage points and Retail Pump Outlets within free delivery zone.
Kerosenes, Vaporising Oil, Light Diesel Oil, Furnace Oil, Bitumen & Naphtha.	Ex-Oil Company's storage points.

15.3. Over and above the basic ceiling selling prices and the differential admissible, the following further charges will also be recoverable, wherever applicable: —

(a) *Railway Freight.*—For Bulk Refined Products, Bitumen and Naphtha at the Bulk tariff rates applicable from time to time for despatches by rail by the most economical route from the nearest Main Installation from which supplies are normally made, except where deliveries are effected in packed containers, such railway freight at packed rates. In case movement of these products by the most economical route is restricted or prevented for a period exceeding 15 days for any reason beyond the control of the oil companies, it shall be open to them to charge, with the approval of the Government, by way of railway freight, an extra amount equivalent to the extra railway freight incurred on the alternative route or routes made available to them, till such time as the most economical route is restored.

(b) *Local duties and taxes.*—Sales Tax, Local Taxes/Duties, Octroi, etc., at the rate/quantum applicable from time to time at the place of sale.

(c) *Specific delivery charges.*—Delivery charges at the rates applicable for effecting deliveries of Motor Spirit and HSD beyond the 'free delivery zone'.

Delivery charges at actual rates for effecting deliveries of Bulk Refined Products other than Motor Spirit, HSD., Aviation Spirit/Gasoline and Aviation Turbine Fuel, Bitumen and Bituminous compounds and Naphtha beyond the Oil Companies' storage point.

(d) *Returnable package charges.*—At the present rates.

Liquified Petroleum Gas (LPG)

15.4.1 This product primarily replaces Superior Kerosene as a domestic fuel. The growth in its consumption is of special significance because of the resultant saving in foreign exhange on imports of kerosene—a deficit product. The following data shows how the consumption for LPG has steadily increased over these years: —

Year	Total sales Value Rs./million
1961	8·16
1962	12·21
1963	16·23
1964	21·02

15.4.2 Consumption of this product will go up further on increased supplies being available from the existing coastal refineries as well as from Barauni, Koyali and the other projected refineries.

15.4.3 Regarding existing sales, it is understood that Esso makes direct supply of this product to certain industries but the entire requirement for domestic consumption is delivered ex-refinery to M/s. Kosangas, which bottles the supplies at the refinery site for sale under its own arrangement to domestic consumers at prices determined by it. Similar arrangement is also followed by Caltex, who sell in bulk to M/s. East Coast Gas Co., who bottle and sell the product to domestic consumers.

15.4.4 Burmah Shell Marketing arranges its own distribution of LPG to bulk and domestic consumers, the latter being arranged through authorized agents. On bulk supplies to industrial consumers, prices are determined on a sliding scale on the basis of annual offtake and the period of commitment. Despatches to upcountry stations for domestic consumption are made in bottles, except to stations, such as Delhi, where facilities have recently been installed for bottling of gas received in bulk in tank wagons from Bombay.

15.4.5 Burmah Shell's arrangement being broadly in line with other major products, and its share of the total trade in LPG in 1964 being nearly 70 per cent., its marketing and distribution charges can be viewed as representative. In reply to our questionnaire Burmah Shell has stated that LPG ex-refinery Bombay is valued at Superior Kerosene landed cost adjusted for higher calorific value. The thermal value factor used for converting the per MT cif cost of Superior Kerosene to that of LPG is 21340/19800. As at 1st January, 1964, such a converted value according to Burmah-Shell was Rs. 3·18 per cylinder of 14.5 Kg. (naked value of contents only) or Rs. 219.3 per metric tonne. Converting the discounted f.o.b. applicable as on 1st July, 1965 and adopted by us for Superior Kerosene, the landed cost of LPG inclusive of duty at Rs. 49·00 per metric tonne, will be Rs. 194·5 per metric tonne for Bombay port. This indicates a scope for reduction.

15.4.6 The marketing charges (including unrecovered freight, use of cylinder and cost of its storage and filling plus expenses incurred on appliance and equipment development) intimated by Burmah Shell are Rs. 5·46 per cylinder (=Rs. 376·50 per tonne). These charges were based on a volume of 15,565 tonnes distributed in 1963. As the volume of future sales will increase substantially, there is scope for economy in these charges as well.

15.4.7 Burmah Shell assumed a profit margin of Rs. 5·27 per cylinder (=Rs. 363·40 per metric tonne). In the determination of the ceiling selling prices, who have not conceded more than Rs. 24·5 per kl. or Rs. 30·00 per metric tonne as profit for any bulk refined product. LPG is a new product and its use is just being developed and this should be encouraged. The investment on containers and cost of maintenance is relatively high compared to other products. We consider that a profit margin higher than the rate indicated for bulk refined product is justified but not at the level of Rs. 363 per tonne.

15.4.8 Taking the above and other relevant factors into account we consider that an *ad hoc* reduction of about Rs. 200 per metric tonne can be effected in the prices as on 1st January, 1964 intimated by Burmah Shell. This would work out to Rs. 3·00 per cylinder of 14·5 kg. We recommend, therefore, that Burmah Shell should arrange to effect this reduction of Rs. 3·00 per cylinder of 14·5 kg. from the present prices to the domestic consumers. We also recommend that the other oil companies should also make a reduction in their prices to the consumers proportionate to the net contents of their respective cylinders.

CHAPTER 16—General—period of pricing formula and the fluctuations in the price structure.

16.1 The different companies have suggested different periods ranging from three to five years for the validity of the pricing formula. Some of them have also suggested that there should be some formula for *ad interim* adjustment of prices in accordance with variations in the Index Number of Wholesale Prices (all commodities), decrease in the volume of their trade and other unforseen circumstances. We are of the view that automatic adjustment of prices based on the considerations mentioned by the Oil Companies is not desirable. To our knowledge, such adjustments have not been conceded in the past by any price fixation bodies. Moreover, as the prices are revised after a full scale enquiry at comparatively short intervals, it is not considered necessary to revise prices in the interim period except for specific factors mentioned below.

16.2 In view of the orientation in the distribution arrangements as a result of establishment of new refineries we consider that the basical approach on which our prices have been evolved may alter materially after three years. We, therefore, recommend that the pricing formula proposed should come into force from the date of termination of the existing arrangement and remain in force till 31st December, 1968, subject to adjustments being made to give effect to any changes taking place on account of any or all of the following factors:—

(i) Fluctuations in posted f.o.b. cost as provided in para 7.6.1.4 of Chapter 7 from 1st July, 1965 subject to discounts indicated in para 6.21 [See note (i) below].

(ii) Fluctuations in AFRA rates as from those applicable from 1st July 1965; as mentioned in para 7.6.1.7.

(iii) Variations in the rates of basic excise/import duties levied at present.

(iv) Variations in the rates of statutory and other compulsory landing charges.

(v) Variations in the prices of tinplate as compared with the assumed rate of Rs. 1,900 per tonne for bulk/packed differential.

(vi) War risk insurance if and when an emergency arises as stated in para 7.6.1.10.

NOTE:—(i) In the calculation of the basic ceiling selling prices for Bitumen, we have taken the f.o.b. prices (naked and packed) effective from 16th June, 1965 as intimated to Burmah Shell by its suppliers. Variations in these prices will be subject to adjustment.

(ii) Any change in the freight rates indicated by the London Freight Brokers Conference subsequent to 1st July, 1965

will be subject to adjustment in the basic ceiling selling prices of Bitumen at ports other than Bombay.

(iii) Packing cost is based on Burmah Shell's experience in 1963 with Rs. 1,088·90 per metric tonne of 24 G Drum Sheets and Rs. 1,025·83 per metric tonne of 21 G Drum Sheets; with a consumption factor of 62·86 kilograms of 24 gauze per metric tonne of Bitumen straight grades and at 90·20 kilograms of 21 gauge per metric tonne of Bitumen Cutbacks. Suitable adjustments may be made for any variations in the prices of drum sheets.

CHAPTER 17—Comparison of our estimated future basic ceiling selling prices with the corresponding existing prices

17.1 The difference between (i) our estimates and the existing basic ceiling selling prices of Bulk Refined Products and Bitumen and Bituminous compounds and (ii) our estimates and the existing ceiling limits of marketing and distribution charges and profit for Lubricants and Greases and Specialties, is shown in Annexure 2.

Naphtha and LPG do not figure in the comparison as there are no existing ceiling selling prices for these products.

17.2 We have obtained from the three major private oil companies their pattern of sales of petroleum products through the individual ports for 1963 and 1964. We have assumed the same pattern of distribution for future for our estimated volume.

17.3 The anticipated reduction in our basic ceiling selling prices from the current ceiling selling prices is accounted for product-wise as under:

Product	Unit	Volume	Amount	Per unit
		Million	Rs/million	Rs.
1. Aviation Spirit—				
—100/130	KL	0·054	(—)0·95	(—)17·59
—115/145	,,	0·033	(—)0·44	(—)13·33
—73 clear	,,	0·006	(—)0·08	(—)13·33
2. Aviation Turbine Fuel	,,	0·443	(—)10·19	(—)23·00
3. Motor Spirit	,,	1·197	10·47	8·75
4. High Speed Diesel Oil	,,	2·262	21·63	9·56
5. Kerosene—Superior	,,	2·376	2·06	0·87
6. Kerosene—Inferior	,,	0·389	1·54	3·96
7. Vaporising Oil	,,	0·006	..	..
8. Light Diesel Oil	,,	0·595	3·26	5·48
9. Furnace Oil	MT	2·455	26·89	10·95
10. Bitumen	,,			
— St. Grade		0·362	1·59	4·39
— Cut back/BS		0·012	0·19	15·83
— ,, /RC		0·019	0·11	5·79
11. Lubricants and Greases	KL	0·438	12·66	28·90
12. Specialties	,,	0·309	1·88	6.08
			70·62	

17.4 If the OPEC formulation had continued, reduction of Rs. 10·86 million per annum would have accrued in any case, at the current level of duties (including additional non-recoverable duties) and c & f adjusted to levels as on 1st July, 1965. Therefore, as a result of this enquiry, the net reduction is Rs. 59·76 million per annum for the three companies only, which is made up as under:

		Rs./million	
	(*i*)	29·32	Reduction in the c.i.f. between OPEC formulation and our estimates due to increased rates of discounts on products
plus	(*ii*)	31·68	Reduction in distribution and marketing charges.
		61·00	
less	(*iii*)	0·41	Increase towards compulsory landing charges as a result of port levies.
	(*iv*)	0·83	Increase in return consequent on increased requirments of working capital.
		59·76	

CHAPTER 18—Freight under recoveries uniform or pool prices—linking of physical supply areas with inland refineries

18.1 In the terms of reference we have been asked to consider the possibility of introducing uniform or pool prices for the whole country or in the different zones to be created for the purpose or the possibility of linking prices with the physical supply areas for the products of the inland refineries.

18.2 As already explained, prices have been determined for delivery ex-main port installations on the basis of import parity; for supplies ex-inland refineries the Calcutta landed prices for bulk refined products are transplanted there. The traditional supply areas represent the cost equalisation lines (taking into account rail freight in addition to relative main installation product prices) with minor adjustments to suit the operating requirements of the railways.

18.3 There are at present eight economic supply areas for the whole country based on ports: Kandla, Okha, Bombay, Goa, Cochin, Madras, Visakhapatnam and Calcutta, which are the cheapest sources of the products for the areas concerned, whether imported or received from coastal refineries under import parity. The system provides reasonably continuous price pattern for each product for the whole country and is self-regulating. The establishment of new refineries at Cochin, Madras and Haldia is a recognition of this economic position. In addition to the port-based supply areas Assam with Nagaland, Manipur and Tripura has been treated as a separate supply area which was originally based on the AOC refinery at Digboi. If products from one are sent to another area, the railway freight from the pricing point of the receiving area only is recoverable; this gives rise to over or under recovery of freight which, till the establishment of the public sector refineries was not a serious problem. The only inland refinery till the end of 1961 was the AOC refinery at Digboi and as its production was consumed mostly within Assam and only a small proportion had to be sent outside, there was not much under recovery of freight. The first public sector refinery was commissioned at Nunmati (Gauhati) in December 1961 and its products began to displace AOC products in parts of Assam. The AOC refinery is now required to send its products further a field resulting in higher freight under-recoveries. To protect the interests of both refineries, it has been provided in the Second Supplemental Agreement (July 1961) between BOC, AOC, Oil India Limited and the Government of India that for purposes of marketing and distribution Digboi and Gauhati refineries should be treated as if they were under one and the same ownership and that the Government of India will help the AOC refinery to reduce its burden of unrecovered freights. Assam area has been divided into three zones; of which Zone 1 has been reserved exclusively for Digboi and Zone 2 for Gauhati, while Zone 3 has been allotted jointly to both. Both the refineries have now an understanding that Digboi products will have

priority of movement in Zones outside Assam and that freight under recoveries for despatches of bulk products outside their supply areas will be shared between them in proportion to their respective despatches. The position of Gauhati Refinery is particularly difficult as only a small part of its production is consumed in Assam and the balance has to be sent outside. Upto Siliguri it incurs no under recovery of freight but practically for all despatches beyond Siliguri there is under recovery. According to the information supplied by the IOC about 16 per cent. of the products despatched from Gauhati refinery in 1964 was sent to Assam Zones, 9 per cent. to the area from Assam to Siliguri and 75 per cent. beyond Siliguri. Over 80 per cent. of Digboi's products are consumed in Assam and the balance has to be sent outside.

18.4 Under recovery of freight for marketing bulk products outside Assam, according to AOC and IOC was :—

(Million rupees)

	1962-63	1963-64	1964-65
(i) AOC Refinery	0·478*	0·384*	N.A.
(ii) Gauhati . . . . (Total under recovery including port differential).	0·314	8·734	11·308
(iii) AOC's share . . . . (provisional) of total under recovery including price differential	..	1·782	2·017

*(Not including the estimated share of IOC's under recovery.)

18.5 The position for both the refineries has been worsened by the commissioning of Barauni Refinery in August 1964 as Siliguri is nearer to Barauni than to Gauhati and also the areas beyond Siliguri where Gauhati products are sent now are much nearer from Barauni, and there will be no freight under recovery, in majority of the cases (in fact some over recovery) if these areas are supplied from Barauni. The products of these three refineries are now sent not only to Calcutta supply area but also to other areas in North and North Western India falling within Bombay and Kandla Supply areas. The movement is regulated by order of the Ministry allocating the products of these three refineries to different zones to reduce their under recoveries and cross haulage. In this process, surplus from Assam refineries (in the case of Gauhati, the major portion of its production) is disposed of in zones nearer to Barauni, thus reducing Barauni's profitability. Barauni is situated 500 Kms away from Calcutta which, with the neighbouring industrial areas constitutes the main consumption area. There is under recovery of freight if Barauni products are sent there. Thus Gauhati has not only affected the economy of AOC Refinery in some measure but very markedly also that of Barauni Refinery which is itself at a considerably disadvantage due to its location.

18.6 We have examined the various possibilities mentioned in the opening paragraph of this chapter to remove the economic disadvantages of the inland refineries arising out of their location.

18.7 **Linking the prices with physical supply areas.**—One such possibility suggested is linking of the prices with the physical supply area of each inland refinery, or, in other words, to treat each refinery as the pricing point for its own supply area. If this is done the refinery will be able to recover the full freight for despatches within this area, thus largely eliminating under-recovery. Such linking cannot be justified if it increases the price to the consumer. At present the products of Gauhati and Barauni refineries are sent to Calcutta and the zones near it and also to all zones in northern and north western India upto Delhi and Punjab. These physical supply areas are liable to fluctuation. It is cheaper to supply these zones from Barauni than from Gauhati. If they, or some of them, are linked with Gauhati refinery not only will consumers have to pay higher prices but Barauni refinery will be seriously affected. If these zones are linked with Barauni refinery, there will be substantial increase in prices in Calcutta and the industrial areas on account of freight, and in Delhi and Punjab, both on account of higher freight and port price differential, while Barauni will lose the advantage of freight differential for despatches to the west and north within the present Calcutta supply area. We cannot recommend the proposal for economic reasons. The difficulty of these refineries is due to their location in areas without sufficient offtake of their products. An economic solution is difficult to find. The position will be eased when consumption in the local areas increases.

18.8 **Pool price on regional basis:**

18.8.1 We have also considered the possibility of pooling of freights leading to a uniform price for each bulk product in the Calcutta supply area in which the products of Barauni refinery and the surplus products of Gauhati and Digboi refineries are now mostly sent. We requested the IOC and the three private Oil Companies to work out jointly the pooled freight rates for Inferior Kerosene and H.S.D. for this area. The flat rates worked out by ESSO and Burmah Shell are Rs. 29·12 per KL for Inferior Kerosene and Rs. 19·50 per KL for H.S.D. Caltex's figures are about the same. These figures are likely to be slightly on the low side on account of non-inclusion of the data from the IOC, but they give a sufficient indication of the economic effect of such pooled freights. The price of Inferior Kerosene in Calcutta will increase from Rs. 293·89 to Rs. 323·01 per KL and of H.S.D. from Rs. 610·17 per KL to Rs. 629·67. The prices at the depots at Lucknow and Allahabad, which are nearest from the borders of this supply area, as compared with the prices at depots on the other side of the border, will be as follows :—

	Calcutta area		Neighbouring area
	Existing Price	New Price	Existing Price
Lucknow			*Bareilly*
I. K.	Rs. 348·13 KL	Rs. 323·01/KL	Rs. 350·76/KL
H.S.D.	Rs. 665·97 „	Rs. 629·67 „	Rs. 666·92 „
Allahabad			*Satna*
I. K.	Rs. 342·21 „	Rs. 323·01 „	Rs. 337·80 „
H.S.D.	Rs. 659·88 „	Rs. 629·67 „	Rs. 662·02 „

18.8.2 Between Lucknow and Bareilly (distance 235 Km only) the price differential per KL for Inferior Kerosene and H.S.D. will be Rs. 27·75 and Rs. 37·25, respectively. Between Allahabad and Satna (distance 181 Km only) the price differential per KL for Inferior Kerosene and H.S.D. will be Rs. 14·79 and Rs. 32·35, respectively. Thus there will be sharp price discontinuity near certain borders. The prices in Calcutta which are now higher than the prices at other port towns will further increase to the disadvantage of the industries in this area. It appears to be inequitable to impose the burden of the inland refineries on this area alone.

18.9 **Uniform or Pool Prices for the whole country:**

18.9.1 We now consider the third possibility, namely, introduction of uniform or pool prices for the whole country. To do this it is necessary, to average the prices of the different bulk refined products at the ports after taking into account their respective volumes at such points, to which should be added the all India average transportation cost per unit volume for different products. This will give the uniform ceiling selling prices. We have been able to get the relevant data from Burmah Shell and Caltex for each individual product for the year 1963 on an all-India basis. Similar information is not available from Esso and IOC. Burmah Shell and Caltex handled over 60 per cent. of the trade and the results obtained from their data are fairly representative of the industry. On the basis of the information supplied by the two companies we have worked out for each product (a) All India average price ex-storage point without freight, (b) average pool freight after deducting the element of unrecovered freight included in our price formulation, and (c) uniform price for the whole country based on (a) and (b) above. This is shown in the statement below, side by side with the price at the different ports and at Delhi, to show the implication of such uniform prices in different parts of the country :—

18·9·2 Statement showing All-India Average Selling prices and Port-wise prices as evolved by W. G. O. P

S. No.	Product	Unit	W.G.O.P. Port-wise selling prices excluding freight: Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta	All-India average price ex-storage point W.G.O.P.	Average Pool freight recoverable	All-India average price including freight (12+13)	Delhi (including freight Kandla to Delhi)
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs	Rs.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Aviation Spirit 100/130	KL	756·50	753·98	752·60	751·17	753·08	757·45	756·02	773·96	760·22	50·27	810·49	844·73
2.	Aviation Spirit 115/145	KL	772·01	769·46	768·08	766·58	768·56	772·85	771·43	789·37	776·32	50·27	826·59	860·83
3.	Aviation Spirit 73	KL	731·30	728·77	727·39	725·93	727·87	732·21	730·78	748·72	737·55	50·27	787·82	822·06
4.	Aviation Turbine Fuel	KL	356·38	361·67	358·77	359·16	358·25	362·49	364·06	366·04	360·85	20·98	381.83	414.97
5.	Motor Spirit	KL	648·08	645·55	644·17	642·72	644·65	648·99	647·56	665·51	651·85	38·51	690·36	737·74
6.	High Speed Diesel Oil	KL	591·89	590·25	591·52	589·76	590·28	598·17	594·84	598·32	593·69	32·49	626·18	651·06
7.	Kerosene Superior	KL	359·80	361·66	362·20	361·07	361·67	365·93	365·70	369·47	363·75	25·06	388 ·81	413·69
8.	Kerosene Inferior	KL	275·86	277·75	278·29	277·19	277·77	282·09	281·85	285·63	279·84	25·06	304·90	344·28
9.	Vaporising Oil	KL	605·54	607·45	607·99	606·91	607·46	611·83	613·40	615·37	610·36	43·13	653·49	N.A.
10.	Light Diesel Oil	KL	356·26	354·69	355·96	354·27	354·80	362·75	359·42	363·30	357·41	22·05	379·46	416·68
11.	Furnace Oil	MT	133·11	131·65	133·01	131·40	132·02	140·72	137·14	141·98	135·66	4·41	140·07	170·51
12.	Bitumen St. Grade	MT	295·34	338·76	339·51	338·17	337·82	348·59	350·96	353·63	325·70	3·52	329·22	NA
13.	„ CB/BS Grade	MT	338·39	368·47	369·22	367·88	367·53	378·47	380·96	383·63	361·14	3·52	364·66	NA
14.	„ CB/RC Grade	MT	348·58	378·66	379·41	378·07	377·72	388·66	391·15	393·82	371·32	3·52	374·84	NA

18.9.3 Introduction of uniform prices will give rise to a number of difficult problems and the mechanics of its operation will be a complicated one. The problems are:—

(i) The oil companies will experience over/under recovery of the price and/or freight which will require adjustment among them at the end of each year. The companies will have to manitain full accounts for this purpose, auditing of which will be necessary.

(ii) The prices are based on the experience of a single year. Change in demand and therefore, in the distribution pattern is bound to take place in different areas in normal conditions, and particularly so in an expanding economy. This will require re-fixation of the prices at yearly or shorter intervals, specially if the total of under recoveries exceed the total of over recoveries, taking all the companies together.

(iii) If the companies are assured of reimbursement of freight actually incurred, the present restraint on uneconomical movement may gradually slacken and this will push up the pool price unless there is strict scrutiny of the individual movements by an independent authority.

(iv) Such a pool system cannot be operated without creation of a pool fund.

(v) The distributors may concentrate on sales in port areas where over-recovery will be higher, to the neglect of distant areas.

18.9.4 The difficulties in operating uniform prices have been mentioned above in brief. A control agency with a large staff under a Central authority will be required to administer the pool.

18.9.5 It will be observed from the above statement that the prices of all products in the port towns would considerably increase and affect the economy of certain industries which are located in and around port towns. On the other hand, the prices in the interior will be lower, thereby relieving comparatively the locational disadvantages and this may encourage industrialisation in upcountry areas. Transport cost is, however, only one among a variety of other factors determining the suitability of a particular locality for establishment of an industry. We have not been able to collect sufficient data to assess the impact of such changes from the existing pattern of prices of petroleum products on the various industries.

18.9.6 We have indicated the organisational problems and how the uniform prices will affect the different areas.

18.9.7 The oil companies, including IOC, are not in favour of such an arrangement. We also see serious difficulties and draw-backs in implementing such a scheme.

18.10 Products Pipelines:

18.10.1 To reduce the cost of transportation a product pipeline has been built from Gauhati to Siliguri (450 KM) at an estimated cost of Rs. 75·1 million and has been brought into use in November last. This pipeline is intended to convey Motor Spirit, Inferior Kerosene and H.S.D. to Siliguri. Two other pipelines, one between Barauni and Kanpur, and another between Barauni and Haldia, are under construction.

18.10.2 During 1964-65, when Gauhati Refinery was working at full production nearly 35,000 tonnes of these three products were despatched from Gauhati to Siliguri for consumption in Siliguri Zone and 332,000 tonnes of the same products were sent from Gauhati to zones beyond Siliguri. Thus the total quantity which would have been despatched through the pipeline in 1964-65 was about 367,000 tonnes.

On the basis of the expected throughput the IOC has estimated that the cost of transmission through the pipeline including return on the capital could be Rs. 31 per tonne. The railway freight from Gauhati to Siliguri is about Rs. 63·50 per tonne for Motor Spirit, Rs. 33·90 for Kerosene and Rs. 36·70 for H.S.D. Thus except in the case of Motor Spirit Pipeline movement gives only a small margin. The gain for movement of 35,000 tonnes of products used in Siliguri zone in 1964-65 would have been approximately Rs. 450,000.

18.10.3 The under recovery of freight occurs mostly in the despatches beyond Siliguri which amounted to 109,000 tonnes of Motor Spirit and 223,000 tonnes of H.S.D. and Inferior Kerosene in 1964-65. In all zones beyond Siliguri the pipeline-*cum*-rail movement for H.S.D. and Inferior Kerosene is more costly than the direct movement from Gauhati on account of the advantage of telescopic rates of freight but there is some margin of gain for such combined movement in the case of Motor Spirit, which, however, sharply decreases with distance from Siliguri. As the volume of Kerosene and HSD is twice that of Motor Spirit, the gain from Motor Spirit will be offset and in the balance under recovery will increase. This may be corrected, if Kerosene and H.S.D. for zones beyond Siliguri are not sent through the pipeline. If this is done the throughput will be reduced by more than half and the cost of pipeline transportation will materially increase, making the operation still more uneconomic. Thus a vicious circle seem to have been created. We agree with the view experessed by the IOC that the contribution to be made by the pipeline towards reducing the burden of unrecovered freights will be practically nil.

18.10.4 Long distance product pipelines, which are expensive, are not economic unless the throughput is high.

18.11 AOC and IOC have made suggestions for giving them relief for unrecovered freight in the following manner:—

AOC: (i) *Exemption from Excise Duty*.—The quantum of such relief to be given to each inland refinery in any year should be the total of its un-recovered freight and Central Sales Tax in the previous year, as established from its audited accounts, apportioned

among the products according to the estimated quantity of production.

(ii) In the alternative, creation of an under recoveries Relief Fund by increasing the ceiling selling prices by imposing a small surcharge (about Rs. 0·821 per metric ton) on all products on an all India basis.

IOC: (i) Formation of an inland Refineries Account by imposing either recoverable or non-recoverable duty of one paisa per 10 litres on all bulk refined products from which IOC will be reimbursed.

(ii) Imposition of a duty of a half paisa on 10 litres to reimburse it for un-recoverable Central Sales Tax.

18.12 The coastal refineries also experience under recovery on coastal movement which in the case of Caltex has become a considerable amount. Caltex has claimed that it has to send about 35% of its production to other ports, mainly Calcutta; and this can be reduced if IOC were to lift a sizable quantity of their requirement in this area from Caltex. Caltex has suggested that the selling price of the principal bulk products should include a surcharge of Rs. 2·54/M.T. which will be retained by the selling companies to compensate them for rail/coastal freight under recoveries; the amount is based on the estimated production of all refineries and the estimated under-recovery in 1966.

18.13 We do not consider that there is any justification for reimbursing the coastal refineries for under-recovery on coastal movement as the prices are determined on import parity. Moreover, with the increased industrialisation which is expected in Vishakhapatnam area the need for movement by sea will be reduced. Both AOC and IOC have reported that consumption of their products is going up in the Assam area. With greater industrialisation of the country and rise in the standard of living the present difficulties of the inland refineries will gradually become less and less. We do not consider that it is equitable to levy a surcharge on an all India basis to assist any particular refinery at the expense of the entire country. Exemption from duty as proposed by AOC is not desirable.

18.14 We have examined the various expedients proposed to us to help the inland refineries overcome their economic disadvantages. The results of Gauhati refinery should be viewed in conjuction with other refineries in the public sector that are coming up, particularly if the products pipelines from Barauni fulfil their expectations.

CHAPTER 19—Miscellaneous

19.1 Under recoveries of AOC/BOC (IT)

19.1.1 It has been represented to us that the operations of AOC and BOC (IT) are gradually becoming uneconomic due to the following main reasons:—

(a) Enhanced working costs arising from the heavy freight charges payable on movement of equipment and stores between Calcutta and Digboi.

(b) High cost of OIL Crude.

(c) Freight under-recoveries incurred on products surplus to requirements of the Assam area and sold outside that area.

(d) Under-recoveries experienced over the past few years in the maintenance of flat rates for Motor Spirit and Kerosene in the Assam Supply area.

(e) Under-recovery of Central Sales Tax on products transferred to other marketing companies for consumption outside Assam.

(f) Extra duty paid due to the co-efficient of expansion/contraction of products made from Assam Crude Oil being less than the co-efficient of expansion/contraction of imported products on which the level of duty at 15°C is established.

(g) Higher cost of bitumen drums and Kerosene tins used by AOC compared to the basis adopted for the industry.

(h) Additional (non-recoverable) duties levied from time to time under the Mineral Products (Additional Duties of Excise and Customs) Act, 1958 (No. 27 of 1958) to mop up accruals in the C&F Adjustment Account due to fall in the c&f cost of products, which do not physically accrue to AOC.

(i) Under-recoveries incurred on sales of Aviation fuels; there being no high-offtake airfields in the Assam area and the bulk of the offtake being by IAF, which fluctuates from airfield involving expensive transfer of equipment.

(j) Cost of transport of products from Digboi to Tinsukia through three 35-kilometre pipelines for different products not being reimbursable under the ex-storage point prices presently in force.

19.1.2 AOC has stated that it has not evolved any method of allocating the expenditure incurred in finding and producing its

own crude. It also does not allocate costs of refining to products either individually or in groups and is thus not in a position to determine the cost ex-refinery of the different products, or groups thereof, manufactured at Digboi. Unlike the coastal refineries, the Digboi refinery has not been assured of any special basis for the pricing of its products. Originally, the AOC products were priced at a particular point of sale in Assam at the landed Calcutta cost plus notional freight from Calcutta to that particular point. From September 1949 onwards, supplies against Government contracts ex-Digboi/Tinsukia were made at FOR Budge Budge (Calcutta) price and the same basis was extended to the general trade from 15th October 1957, the f.o.r. main installation prices ex-Digboi/Tinsukia for HSD, Vaporising Oil and Light Diesel Oil being voluntarily kept lower than the relevant ceiling selling prices, ex-f.o.r. main installation, Calcutta.

19.1.3 The Company still considers "import parity" as a fair and reasonable pricing basis for AOC products. The application of the principle of 'import parity' permits of higher unit price being charged for products by the inland refineries in Eastern India compared to the coastal refineries, due to the higher landed cost of products at Calcutta. As long as this basis is applied to the pricing of AOC products, provision of the extra cost arising from (a) and (h) is not possible within the frame work of the present price structure.

19.1.4 During discussions, Rs. 76·00 per tonne was indicated as the price of AOC's own crude including charges towards exploration, development, amortization, interest and cost of delivery at Digboi. The amount was high because of small production from the Digboi fields but proposals to reactivate the field were reported to be under consideration. The aforesaid figure compares well with the cost of imported crude. As regards the high cost of OIL crude already referred to in para 5·7 AOC can usefully take up this matter with Oil India Ltd., of which its Principal is 50% owner.

19.1.5 Regarding (c) it will be recalled that the OPEC considered that the fair prices for the AOC products should be the Calcutta c.i.f. cost, but, in consideration of the losses suffered by it on unrecovered freight in the marketing of products outside the Assam area, prices of AOC products were determined on parity with the prices ex-f.o.r. Calcutta, subject to differential being maintained for lower diesel index (43/48 against 53/57) of HSD; which has not been done on account of practical difficulties and has resulted in overcharge by the Company compared to import parity. The freight under-recoveries for 1963 indicated by the company for Bulk Refined Products were of the order of Rs. 0·503 million and for all other Products of the order of Rs. 4·932 million. It was clarified during discussions by the representatives of this company that the under-recoveries under the latter group pertained to Lubricants and Greases produced at Digboi and sold mostly in Calcutta. There is no price control as such on Lubricants, Greases and Specialties. Under the Block Control the companies are permitted to recover their cost of materials, packaging and transportation costs etc. If there is any under-recovery of freight that is not due to price control.

As regards bulk products, AOC enjoys priority over IOC for despatch of its products outside Assam and its own under-recovery is not high. AOC has stated to us that consumption in Assam is increasing; therefore, we expect that its under-recovery, including its share of IOC's under-recovery, will godown and cease to be a serious problem. Moreover, the increase in Calcutta wharfage rate from 1st August, 1965 will give the company further advantage.

19.1.6 Item (d) is reported to be already under consideration of Government.

19.1.7 The under-rocevery on account of Central Sales Tax mentioned at (e) places the Digboi as well as the Gauhati refineries at a disadvantage *vis-a-vis* the coastal refineries and adversely affects their profitability. The States like Maharashtra, Andhra Pradesh and Kerala, where refineries have been established, have exempted the refinery products from payment of Central Sales Tax on inter-company transfers for despatch outside the respective States. Assam Government may reconsider the matter as it will help the local refineries, which are put at a disadvantage on account of location *vis-a-vis* the other refineries.

19.1.8 In a uniform pricing pattern for the whole country, it is not possible to take note of requirements of individual units involving minor variation in costs such as (f) and (g).

19.1.9 Different surcharges have been established for international and other airfield outlets, the latter being mostly in use by IAF in all parts of the country. On a price formulation applicable to the entire country it is difficult to make exception for a minor difficulty of this nature.

19.1.10 The ceiling selling prices chargeable by the marketing Companies have been determined ex-main installations/Companies' storage points. The prices of AOC products have been quoted for Digboi/Tinsukia for a long time, apparently because Tinsukia is the main installation through which about 90% of the total production pass both in respect of rail and road despatches. Digboi serves only the area contiguous to it, to avoid cross haulage on supplies from Tinsukia. In view of this position we consider it advisable to continue to apply the ceiling selling prices for delivery ex-f.o.r. Digboi and/or Tinsukia.

19.1.11 This refinery also produces annually about 10,000 tonnes of Petroleum Coke, the price of which ex-Digboi to an industrial consumer was reported to be Rs. 108·28 per tonne. About 50% of the AOC's production is sold to its employees for use as domestic fuel at concessional rates ranging from Rs. 19·68 to 29·53 per tonne. In view of the increasing demand of petroleum coke for industrial purposes necessitating imports, this company should consider, in the interest of conserving foreign exchange, the elimination of consumption thereof for domestic purposes by substitution of coke/coal.

19.1.12 It is, however, observed that the combined operations of AOC and BOC (IT) have become gradually unremunerative. In 1963

there was actual loss. They have represented to Government as well as to us for some relief as they use indigenous crude, of which about 1/3rd is produced by themselves and 2/3rd purchased from Oil India Ltd. They do not get the crude purchased from Oil India at import parity whereas the other refineries using indigenous crude get it at import parity. They have requested that in their case, they may be allowed to charge the import parity prices for Digboi products without discounting f.o.bs. We do not recommend any departure from the established prices for Digboi products. The Digboi refinery has, however, a genuine difficulty, which we bring to the notice of Government, for such action as may be considered advisable. One practical way is to give some concession to AOC on the price of Oil India crude. Government may take up with BOC the question how this can be done.

19.2 **Bombay Octroi on crude oil**

19.2.1 As from 1-4-65 the Bombay Municipal Corporation has introduced octroi at the rate of one paisa (since reduced to 0·25 paisa) per litre on crue oil imported into Bombay from abroad or transferred from Ankleshwar oil fields. On the basis of crude oil presently processed by the Burmah Shell and Esso refineries in Trombay (Bombay), this levy will result in extra annual burden of the order of Rs. 10 and Rs. 7·25 million, respectively. These companies have represented that provision should be made in the price mechanism for recovery from the consumers of the octroi or similar imposts on crude oil.

19.2.2 Such octroi increases the cost of the crude. The prices of the products ex-refinery have to be fixed in accordance with the terms of the refinery Agreement strictly on the basis of import parity, *i.e.* the landed cost of such products, when imported. The cost of the crude cannot therefore, be taken into account and reflected in the ex-refinery prices. Similarly the sales tax on crude levied by Assam, Bihar and Gujarat Governments are not reflected in the pattern of prices evolved by us.

19.3 **Pricing of Naphtha and Residual Fuel Oil ex-Koyali**

19.3.1 The Government of Gujarat have made a specific reference to us about the pricing of Residual Oil and Naphtha ex-Koyali refinery. It is of the view that "the only reasonable method of fixing the price of Residual Oil is to fix its prices of production to which may be added a fair percentage of profit." It is considered by that Government that crude being already available in Gujarat in proximity to consumption centres, with a distinct possibility of greater reserves being found, the Residual Fuel Oil should, on the suggested basis "be priced at a level lower than crude oil."

19.3.2 Regarding Naphtha, it has been argued for almost identical reasons that as far as Gujarat is concerned the prices should be linked individually with the Koyali Refinery and for that purpose Gujarat State might be considered as a separate zone for the supply of Naphtha and "the price of Naphtha should not be kept higher than Rs. 50 to Rs. 53 per metric tonne."

19.3.3 In Chapter 6, we have explained in detail the difficulty of determining the price of individual products on the basis of cost of production and why it is necessary to adopt the basis of 'import party'. In case of Naphtha, in the absence of a posting in the Persian Gulf, we have related it to the f.o.b. for Bunker 'C' fuel (adjusted to thermal value), which is the product with the lowest posting.

19.3.4 Residual fuel oil is excluded from our price formulation as such fuels are normally sold to single consumers, who negotiate prices directly with the suppliers. There is no standard specification for this product and its characteristics differ from refinery to refinery. It is, therefore, not possible to fix a price for Residual fuel oil.

CHAPTER 20—Summary of conclusions and recommendations

Our conclusions and recommendations are summarised below:—

1. The percentage of profit before taxation on capital employed in 1963 of the integrated refining and marketing operation of Burmah Shell, Esso and Caltex were 19·93, 9·61 and 4·90, respectively. In case they had obtained discounts on deficit imports the percentage of combined profitability would have been 20.65, 10.54 and 6.71, respectively. (Paragraphs 3.4.2, 3.4.3, 3.7.2, 3.7.3, 3.10.2 and 3.10.3).

2. The arrangements made by the three private Oil Companies for import of crude oil are intended to dispose of the oil produced by their principals, affiliates or subsidiaries and do not permit of price fixing by free and full competition and it is difficult to accept that their prices are the most favourable in the world market. (Paragraphs 4.5.5, 4.6.1, 4.6.3, 4.7.2 and 4.8).

3. Discounts on posted prices of crude oils ranging from 10 to 35 cents per barrel were frequently allowed on Middle East Oil between October 1956 and June, 1960, but discounts on purchases for India were allowed for the first time in June 1960. In fact the discounts in India have resulted from forces other than commercial competition, such as pressure exerted by Government. The discounts were revised twice during this enquiry. (Paragraphs 4.11, 4.12, 4.13, 4.14 and 4.28).

4. Discounts on posted prices of crude oils have steadily increased and reports of discounts considerably higher than those allowed on Indian purchases have been noticed. (Paragraphs 4.16, 4.17, 4.19, 4.20, 4.21, 4.22 and 4.23).

5. Discounts are justified at rates not less than 21 cents a barrel on Safaniya, 30 cents on Kuwait and Khursaniyah, 40 cents on light crudes such as Agha Jari and Aramco and 45 cents on lighter crudes *e.g.* Qutar, Murban etc. Foreign exchange allocation should be made on the basis of these minima. (Paragraphs 4.24, 4.25, 4.26, 4.27 and 4.31).

6. In order to satisfy Government that purchase is being made at world market prices in terms of the assurance in the Refinery Agreement, Esso should indicate the constituents and their proportion in the mixture of light, medium and heavy crudes offered from 1.7.65 at a net f.o.b. cost of 140 cents a barrel. (Paragraph **4.29.2**).

7. If the fuel oil processed ex-Barauni is suitable for use in steel plants, Government may consider whether it is desirable to allow Caltex to continue to import Minas crude unless its delivered cost at Vishakhapatnam is matched with Agha Jari with a suitable premium for lower sulpher content and higher gravity. (Paragraph 4.30.2).

10 M. of Pet—8.

8. The process margin guaranteed under the Agreement for the Cochin Refinery is higher than the calculated margins of the three existing coastal refineries. The price of crude oil reported to have been negotiated by Philips for the Cochin refinery appears to be considerably higher than the price for the same crude offered to the Ministry. (Paragraphs 4.32.1 4.32.2 and 6.7).

9. ONGC has little hope of the prices of its crude being comparable to the prices of imported crude and its present price to the Bombay refineries of Ankleshwar crude does not cover costs. An investigation into the cost structure should be undertaken. (Paragraph 5.1).

10. Gauhati and Barauni refineries pay for OIL crude at the landed cost of similar crude at Calcutta and the balance is borne by Government. An investigation into the cause of the high price is necessary to safeguard the position in the future. (Paragraphs 5.5, 5.7 and 6.9.2).

11. Assam Sales tax of Rs. 11.85 per tonne on OIL crude, in addition to royalty levy of Rs. 7.5 per tonne is high and adversely affects the refineries. (Paragraph 5.6).

12. Gauhati refinery has not reached the same level of efficiency as the other established refineries. (Paragraph 6.9.2).

13. Import parity is considered the only practical basis for determination of prices of the bulk refined products. (Paragraphs 6.5, 6.6, 6.9.2 and 6.10).

14. It has been contended by the foreign private companies that the discounts taken into account by the OPEC in determining the import parity prices are not available and were based on inadequate evidence. This contention is not accepted as offers of products from Eastern and Western Sources for substantial quantities on regular basis have been received and availed of. (Paragraphs 6.11, 6.12, 6.13 and 6.14).

15. The major private oil companies are wholly owned subsidiaries of certain international majors and function for the purposes of selling the products of the large family of associated companies owned or controlled by the 'majors', whereby freedom to bargain with parties outside the group is absent and the prices paid are essentially managed ones. (Paragraphs 6.15, 6.16 and 6.17).

16. Failure of the private oil companies to obtain OPEC discounts on imported products (which they are reported to have done in respect of imports to Pakistan) resulted in extra payment in foreign exchange in 1962 of the order of Rs. 21 million and in 1963 Rs. 16·5 million. (Paragraph 6.18),

17. The following minimum rates have been adopted for fixing the ceiling selling rates but higher discounts may be available in

particular cases:—

(i) Aviation Spirit	3%
(ii) Aviation Turbine Fuel	15%
(iii) Motor Spirit	12%
(iv) H. S. D.	12%
(v) Kerosenes	12%
(vi) Light Diesel Oil	12%
(vii) Furnace Oil	10% (Paragraph 6.21)

18. For deficit imports, foreign exchange should be allocated to those able to import at the above or higher discounts. (Paragraph 6.22).

19. Pricing formula has been evolved for Bulk Refined Products, Bitumen and Naphtha. Lubricants, Greases and Specialties have been grouped for the purpose of block control on marketing and distribution charges and profit. Hot Heavy Stock, Low Sulphur Fuel Oil, Boiler Fuel, Residual Fuel Oil, Aromex/Iomex, Colza Mineral Oil, Tea Drier Oil, Refinery Gas Petroleum Coke, J. P. 4, J. P. 5 and Paraffin wax have been excluded from the proposed pricing arrangements. For L. P. G. *ad hoc* reduction in current selling prices to domestic consumers of Rs 3.00 per cylinder of 14·5 kg. is considered justified. (Paragraphs 7.2, 7.3, 7.4, 7.13, 7.16.1 and 15.4.8).

20. Details of pricing formula for Bulk Refined Products, Bitumen and Naphtha are given in Chapter 7.

21. Marketing and Distribution charges and profit have been included at the rates indicated in paras 10.7 and 11.6.

22. For lubricants and greases and specialties block control should be imposed by fixing overall ceiling limits for marketing and distribution charges and profit on all products coming under these groups. The ceiling limits will be Rs. 94.12 per Kl for Lubricants and Greases and Rs. 25.20 per Kl for Specialties. (Paragraphs 7.13 and 7.15).

23. The oil companies shall be free to frame the prices of individual products and shall be permitted to recover cost of material, blending, packaging and filling-in charges at actual rates. In the event of recovery on charges and profit in a financial year exceeding the aforesaid ceiling limits, the selling prices of the various products within the respective group will be suitably revised. (Paragraph 7.13).

24. Periodic Statement of recoveries made towards charges and profit as required by Government shall be submitted by Burmah Shell, Esso & Caltex. (Paragraph 7.14).

25. For the three major private oil companies increase in volume during 1966-1968 of about 22% over 1963 is estimated. (Paragraph 10.3).

26. The future estimate of marketing and distribution charges has been based on the data obtained from Burmah Shell, Esso and Caltex. IOC has not been included in the future estimation as its data function-wise was not available. (Paragraph 10.1).

27. The total reduction in charges will amount to Rs. 31.3 million per annum compared to OPEC levels. (Paragraph 10.9).

28. It will not be appropriate to compare the operations of the foreign oil companies with other industries unless their overall profitability right from the production of crude to the marketing of products is known. The profits earned by these companies and their principals outside India on crudes and products sent to India are not known. The profits on crude are reported to be high. (Paragraphs 11.2 and 11.3).

29. The companies should examine the possibility of effecting economies in the cost of their operations. (Paragraph 11.4).

30. A return of 12% on Capital employed has been provided. (Paragraph 11.5).

31. The total payments in dollar/sterling towards overseas offices by Esso, Burmah Shell, AOC and BOC (IT), for refining and marketing were of the order of Rs. 11 million in 1964 (with slightly varying amounts paid in earlier years). The Companies are urged to reduce substantially expenditure under this head. (Paragraphs 12.1 to 12.4).

32. The packed/bulk differential has been estimated at Rs. 2·56 per 18.5 litre tin at the average cost of Rs. 1,900 per tonne of tinplates. (Paragraph 13.3).

33. The basic ceiling selling prices shall be applicable for delivery as under:—

Aviation Spirit/Aviation Gasoline and A.T.F.	Ex-Oil Companies storage points and ex-Airfield outlets.
Motor Spirit and H.S.D.	Ex-Oil Companies storage points and ex-retail pump outlets within free delivery zone.
Kerosenes, Vaporising Oil, Light Diesel Oil, Furnace Oil, Bitumen and Naphtha.	Ex-Oil Companies storage points.

Further charges will be payable, whenever applicable, on account of rail freight, local duties/taxes, specific delivery and supplies in returnable packages. Specific charges for delivery beyond such points for Kerosenes, Vaporising Oil, Light Diesel Oil, Furnace Oil and Bitumen and for Motor Spirit and H. S. D. at retail pump outlets beyond the free delivery zone, will also be payable extra at actuals. (Paragraphs 7.8, 15.2 and 15.3).

34. The pricing basis evolved should come into force from the date of termination of the existing arrangement and remain valid till 31st December, 1968 subject to adjustment due to variations in the factors detailed in paragraph 16.2.

35. Bitumen packing cost is based on Rs. 1,088.90 per metric tonne of 24 G drum sheets and Rs. 1,025·83 per metric tonne of 21 G drum sheets with a consumption factor of 62·86 kg. of 24 gauge per metric tonne of Bitumen Straight Grades and 90·20 kg. of 21 gauge per metric tonne of Bitumen Cutbacks. [Paragraph 16.2—Note (iii)].

36. If the OPEC formulation had continued, reduction of Rs. 10·86 million per annum would have accrued in any case at the current level of duties and c & f adjusted to levels as on 1.7.65. As a result of this enquiry the further net reduction is Rs. 59·76 million annually for the three major oil companies. (Paragraph 17.4).

37. It is not possible to link prices with the physical supply areas for the products of individual refineries. (Paragraph 18.7).

38. Introduction of uniform prices over a particular area will lead to sharp discontinuities at the border and other anamolies. (Paragraph 18.8.2).

39. There are great difficulties and drawbacks in the introduction of pool prices for the whole country which will give rise to various complicated problems. (Paragraphs 18.9.1 to 18.9.6).

40. The contribution of pipeline towards reducing the burden of under recovery of freight in respect of Gauhati products will be practically nil. Long distance product pipelines are not economical unless the throughput is high. (Paragraphs 18.10.1. to 18.10.3).

41. With greater industrialization and rise in the standard of living, the present difficulties of the inland refineries will gradually become less and less. It is not equitable to levy a surcharge on all-India basis to assist any particular refinery at the expense of the entire country. (Paragraph 18.13).

42. Unlike the coastal refineries, Digboi has not been assured of any special basis for the pricing of its products. Calcutta landed cost is transplanted at Digboi/Tinsukia. AOC considers 'import parity' to be a fair and reasonable pricing basis for Digboi products. (Paragraph 19.1.3).

43. AOC should take up with Oil India Ltd. (of which AOC's principal is 50% owner) regarding the high cost of OIL crude. (Paragraph 19.1.4).

44. AOC's under recovery in respect of freight on account of Lubricants, Greases and Specialties is not due to price control. The under recovery for bulk products should go down with increase in consumption in Assam and the increase in Calcutta wharfage from 1.8.65. (Paragraph 19.1.5).

45. Regarding Central Sales Tax payable on inter-company transfers Assam Government may reconsider the question of exemption thereof as this levy places the local refineries at a disadvantage on account of location *vis-a-vis* the other refineries. (Paragraph 19.1.7).

46. Of about 10,000 tonnes of Petroleum Coke produced annually at Digboi about 50% is sold to AOC's staff as domestic fuel at concessional rates ranging from Rs. 19·68 to 29·53 per tonne and the balance is sold to an industrial consumer at Rs. 108·28 per tonne. To conserve foreign exchange, AOC should eliminate its consumption as domestic fuel. (Paragraph 19.1.11).

47. The combined operations of AOC and BOC(IT) have become gradually unremunerative. They process indigenous crude, of which about 1/3rd is produced by themselves and 2/3rd purchased from OIL. They do not get OIL crude at import parity prices as applicable to other refineries using indigenous crude. The Digboi refinery is thus in a genuine difficulty, which is brought to the notice of the Government for such action as is considered advisable. (Paragraph 19.1.12).

48. As prices of refinery products are determined on the basis of import parity, Bombay Octroi on crude cannot be reflected in the prices of products. (Paragraph 19.2.2).

CHAPTER 21—Acknowledgements

We wish to express our gratitude to the Oil Companies and other interests connected with the industry as well as the Ministry of Petroleum and Chemicals and the Oil and Natural Gas Commission for the help and cooperation received from them in obtaining materials for this enquiry. We are grateful to the witnesses, official and non-official, who have appeared before us and discussed and clarified the various matters at issue. We wish to acknowledge the assistance given to us by Shri S. V. Rajan, senior Cost Accounts Officer and his associates. We would also like to place on record our appreciation of the services of Shri N. R. Law, Secretary of the Working Group and his staff who have helped us in collecting the large mass of evidence, sorting it out and making it ready for us with sustained devotion.

Sd/- J. N. TALUKDAR,
Chairman.

Sd/- S. S. SHIRALKAR,
Member.

Sd/- N. KRISHNAN,
Member.

Sd/- N. R. LAW,
Secretary.

NEW DELHI;
Dated, 18*th August*, 1965.

STATEMENT No. 1

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT; AVIATION SPIRIT/GASOLINE 100/130 *OCTANE* — *SELLING UNIT: KILO LITRE*

(Platt's Oilgram Specification—AVGAS Grade 100/130*)*

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	180·75							
	Less: Discount @ 3%	5·42							
(i)	Net f.o.b.	175·33	175·33	175·33	175·33	175·33	175·33	175·33	175·33
(ii)	Freight	7·71	9·48	9·33	9·25	9·35	13·06	13·03	13·04
(iii)	Insurance at 0·0755% on f.o.b.	0·13	0·13	0·13	0·13	0·13	0·13	0·13	0·13
(iv)	Ocean loss at 0·54% on c.i.f.	0·99	1·00	1·00	1·00	1·00	1·02	1·02	1·02
(a)	C.I.F.	184·16	185·94	185·79	185·71	185·81	189·54	189·51	189·52
(b)	(*i*) Customs and Excise Duties	453·03	453·03	453·03	453·03	453·03	453·03	453·03	453·03
	(*ii*) Non-recoverable duties	42·85	42·85	42·85	42·85	42·85	42·85	42·85	2·85
(c)	Wharfage	10·03	5·73	4·50	3·15	4·96	5·60	4·20	22·13
(d)	Other Compulsory Landing Charges	0·60	0·60	0·60	0·60	0·60	0·60	0·60	0·60
(1)	Land Cost	690·67	688·15	686·77	685·34	687·25	691·62	690·19	708·13
(2)	Installation	13·31							
(3)	Administration	17·12	65·83	65·83	65·83	65·83	65·83	65·83	65·83
(4)	Distribution	11·31							
(5)	Profit	24·09							
A.	*Ex-Companys' Storage Points*	756·50	753·98	752·60	751·17	753·08	757·45	756·02	773·96
(6)	Airfields	32·64	32·64	32·64	32·64	32·64	32·64	32·64	32·64
B.	Ex-International Airfields	789·14	786·62	785·24	783·81	785·72	790·09	788·66	806·60
(7)	Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
	Ex-Other Airfield Outlets	806·64	804·12	802·74	801·31	803·22	807·59	806·16	824·19

STATEMENT No. 2

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : AVIATION SPIRIT/GASOLINE 115/145 OCTANE *SELLING UNIT : KILO LITRE*

(*Platt's Oilgram Specification—AVGAS Grade* 115/145)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	196·68							
	Less : Discount at 3%	5·90							
(i)	Net f.o.b.	190·78	190·78	190·78	190·78	190·78	190·78	190·78	190·78
(ii)	Freight	7·56	9·30	9·15	9·07	9·17	12·80	12·78	12·79
(iii)	Insurance at 0·0755% on f.o.b.	0·14	0·14	0·14	0·14	0·14	0.14	0·14	0·14
(iv)	Ocean loss at 0·54% on c.i.f.	1·07	1·08	1·08	1·08	1·08	1·10	1·10	1·10
(a) (*i*)	C.I.F.	199·55	201·30	201·15	201·07	201·17	204·82	204·80	204·81
(b) (*ii*)	Customs and Excise Duties	452·70	452·70	452·70	452·70	452·70	452·70	452·70	452·70
	Non-recoverable duties	42·82	42·82	42·82	42·82	42·82	42·82	42·82	42·82
(c)	Wharfage	10·03	5·73	4·50	3·08	4·96	5·60	4·20	22·13
(d)	Other Compulsory Landing Charges	0·60	0·60	0·60	0·60	0·60	0·60	0·60	0·60
(1)	Landed Cost	705·70	703·15	701·77	700·27	702·25	706·54	705·12	723·06
(2)	Installation	13·31							
(3)	Administration	17·12	66·31	66·31	66·31	66·31	66·31	66·31	66·31
(4)	Distribution	11·31							
(5)	Profit	24·57							
(A)	Ex-Companys' Storage Points	772·01	769·46	768·08	766·58	768·56	772·85	771·43	789·37
(6)	Airfields	32·64	32·64	32·64	32·64	32·64	32·64	32·64	32·64
(B)	Ex-International Airfields	804·65	802·10	800·72	799·22	801·20	805·49	804·07	822·01
(7)	Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
(C)	Ex-Other Airfield Outlets	822·15	819·60	818·22	816·72	818·70	822·99	821·57	839·51

STATEMENT No. 3

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : *AVIATION SPIRIT/GASOLINE 73 Clear* *SELLING UNIT : KILO LITRE*

(Platt's Oilgram Specification—AVGAS Grade 73 Clear)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	155·99							
	Less : Discount at 3%	4·68							
(i)	Net f.o.b.	151·31	151·31	151·31	151·31	151·31	151·31	151·31	151·31
(ii)	Freight	7·65	9·41	9·26	9·18	9·28	12·96	12·93	12·94
(iii)	Insurance at 0·0755% on f.o.b.	0·11	0·11	0·11	0·11	0·11	0·11	0·11	0·11
(iv)	Ocean loss 0·54% on c.i.f.	0·86	0·87	0·87	0·87	0·87	0·89	0·89	0·89
(a)	C.I.F.	159·93	161·70	161·55	161·47	161·57	165·27	165·24	165·25
(b) (i)	Customs & Excise Duties	452·88	452·88	472·88	452·88	452·88	452·88	452·88	452·88
(ii)	Non-recoverable Duties	42·83	42·83	42·83	42·83	42·83	42·83	42·83	42·83
(c)	Wharfage	10·03	5·73	4·50	3·12	4·96	5·60	4·20	22·13
(d)	Other Compulsory Landing Charges	0·60	0·60	0·60	0·60	0·60	0·60	0·60	0·60
(1)	Landed Cost	666·27	663·74	662·36	660·90	662·84	667·18	665·75	683·69
(2)	Installation	13·31							
(3)	Administration	17·12	65·03	65·03	65·03	65·03	65·03	65·03	65·03
(4)	Distribution	11·31							
(5)	Profit	23·29							
A.	Ex-Companys' Storage Points	731·30	728·77	727·39	725·93	727·87	732·21	730·78	748·72
(6)	Airfields	32·64	32·64	32·64	32·64	32·64	32·64	32·64	32·64
B.	Ex-International Airfields	763·94	761·41	760·03	758·57	760·51	764·85	763·42	781·36
(7)	Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
C.	Ex-Other Airfield Outlets	781·44	778·91	777·53	776·07	778·01	782·35	780·92	798·86

STATEMENT No. 4

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : AVIATION TURBINE FUEL *SELLING UNIT : KILO LITRE*

(Platt's Oilgram Specification—Turbine Fuel I (—58F)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	114·36							
	Less : Discount @ 15%	17·15							
(i)	Net f.o.b.	97·21	97·21	97·21	97·21	97·21	97·21	97·21	97·21
(ii)	Freight	8·51	10·46	10·29	10·21	10·32	14·50	14·27	14·39
(iii)	Insurance at 0·0755% on f.o.b.	0·07	0·07	0·07	0·07	0·07	0·07	0·07	0·07
(iv)	Ocean loss at 0·25% on c.i.f.	0·26	0·27	0·27	0·27	0·27	0·28	0·28	0·28
(a)	C.I.F.	106·05	108·01	107·84	107·76	107·87	111·96	111·93	111·95
(b) (i)	Customs & Excise Duties	180·47	180·47	180·47	180·47	180·47	180·47	180·47	180·47
(ii)	Non-recoverable Duties	38·26	38·26	38·26	38·26	38·26	38·26	38·26	38·26
(c)	Wharfage	2·40	5·73	3·00	3·47	2·45	2·60	4·20	6·16
(d)	Other Compulsory Landing Charges	0·88	0·88	0·88	0·88	0·88	0·88	0·88	0·88
(1)	Landed Cost	328·06	333·35	330·45	330·84	329·93	334·17	335·74	337·72
(2)	Installation	3·09							
(3)	Administration	7·19							
(4)	Distibution	6·67	28·32	28·32	28·32	28·32	28·32	28 32	28·32
(5)	Profit	11·37							
A.	*Ex-Companys' Storage Points*	356·38	361·67	358·77	359·16	358·25	362·49	364·06	366·04
(6)	Airfields	17·85	17·85	17·85	17·85	17·85	17·85	17·85	17·85
	Ex-International Aitfields	374·23	379·52	376·62	377·01	376·10	380·34	381·91	383·89
(7)	Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
C.	*Ex-Other Airfield Outlets*	391·73	397·02	394·12	394·51	393·60	397·84	399·41	401·39

STATEMENT No. 5

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : MOTOR SPIRIT/MOTOR GASOLINE *SELLING UNIT : KILO LITRE*

(Platt's Oilgram Specification—79 Oct)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	81·71							
	Less : Discount at 12%	9·81							
(i)	Net f.o.b.	71·90	71·90	71·90	71·90	71·90	71·90	71·90	71·90
(ii)	Freight	7·68	9·44	9·29	9·21	9·31	13·00	12·97	12·99
(iii)	Insurance @ 0·0755% on f.o.b.	0·05	0·05	0·05	0·05	0·05	0·05	0·05	0·05
(iv)	Ocean loss @ 0·33% on c.i.f.	0·26	0·27	0·27	0·27	0·27	0·28	0·28	0·28
(a)	C.I.F.	79·89	81·66	81·51	81·43	81·53	85·23	85·20	85·22
(b) (i)	Customs and Excise Duties	452·94	452·94	452·94	452·94	452·94	452·94	452·94	452·94
(ii)	Non-recoverable Duties	42·84	42·84	42·84	42·84	42·84	42·84	42·84	42·84
(c)	Wharfage	10·03	5·73	4·50	3·13	4·96	5·60	4·20	22·13
(d)	Other Compulsory Landing Charges	0·67	0·67	0·67	0·67	0·67	0·67	0·67	0·67
(1)	Landed Cost	586·37	583·84	582·46	581·01	582·94	587·28	585·85	603·80
(2)	Installation	8·31							
(3)	Administration	17·63	61·71	61·71	61·71	61·71	61·71	61·71	61·71
(4)	Distribution	15·10							
(5)	Profit	20·67							
A.	Ex-Companys' Storage Points	648·08	645·55	644·17	642·72	644·65	648·99	647·56	665·51
(6)	Retail Pump Outlets	12·75	12·75	12·75	12·75	12·75	12·75	12·75	12·75
(7)	Commission	41·80	41·80	41·80	41·80	41·80	41·80	41·80	41·80
B.	Ex-Retail Pump Outlets within Free Delivery Zone	702·63	700·10	698·72	697·27	699·20	703·54	702·11	720·06

STATEMENT No. 6

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT: HIGH SPEED DIESEL OIL — *SELLING UNIT: KILO LITRE*

(Platt's Oilgram Specification—53/57 d.i.)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	87·15							
	Less: Discount at 12%	10·46							
(i)	Net f.o.b.	76·69	76·69	76·69	76·69	76·69	76·69	76·69	76·79
(ii)	Freight	9·05	11·14	10·95	10·86	10·98	15·33	15·30	15·32
(iii)	Insurance at 0·0755% on f.o.b.	0·06	0·06	0·06	0·06	0·06	0·06	0·06	0·06
(iv)	Ocean loss at 0·31% on c.i.f.	0·27	0·27	0·27	0·27	0·27	0·29	0·29	0·29
(a)	C.I.F.	86·07	88·16	87·97	87·88	88·00	92·37	92·34	92·36
(b) (i)	Customs and Excise Duties	434·18	434·18	434·18	434·18	434·18	434·18	434·18	434·18
(ii)	Non-recoverable Duties	16·99	16·99	16·99	16·99	16·99	16·99	16·99	16·99
(c)	Wharfage	6·02	2·29	3·75	2·08	2·48	6·00	2·70	6·16
(d)	Other Compulsory Landing Charges	0·62	0·62	0·62	0·62	0·62	0·62	0·62	0·62
(1)	Landed Cost	543·88	542·24	543·51	541·75	542·27	550·16	546·83	550·31
(2)	Installation	3·73							
(3)	Administration	13·01	48·01	48·01	48·01	48·01	48·01	48·01	48·01
(4)	Distribution	12·54							
(5)	Profit	18·73							
A.	Ex-Companys' Storage Points	591·89	590·25	591·52	589·76	590·28	598·17	594·84	598·32
(6)	Retail Pump Outlets	9·09	9·09	0·09	0·09	9·09	9·09	9·09	9·09
(7)	Commission*	17·60	17·60	17·60	17·60	17·60	17·60	17·60	17·60
B.	Ex-Retail Pump Outlets within Free Delivery Zone	618·58	616·94	618·21	616·45	616·97	624·86	621·53	625·01

*The Commission figure has to be substituted by Rs. 6·60 for agents instead of Rs. 17·60 for dealers.

STATEMENT No. 7

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : KEROSENE SUPERIOR — *SELLING UNIT : KILO LITRE*

(Platt's Oilgram specification—Kerosene)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	106·90							
	Less : Discount at 12%	12·83							
(i)	Net f.o.b.	94·07	94·07	94·07	94·07	94·07	94·07	94·07	94·07
(ii)	Freight	8·52	10.49	10·32	10·23	10·34	14.44	14·41	14·42
(iii)	Insurance at 0·0755% on f.o.b.	0·07	0·07	0·07	0·07	0·07	0·07	0·07	0·07
(iv)	Ocean loss at 0·25% c.i.f.	0·26	0·26	0·26	0·26	0·26	0·27	0·27	0·27
(a)	C.I.F.	102·92	104·89	104·72	104·63	104·74	108·85	108·82	108·83
(b)	(i) Customs and Excise Duties	180·51	180·51	180·51	180·51	180·51	180·51	180·51	180·51
	(ii) Non-recoverable Duties	38·27	38·27	38·27	38·27	38·27	38·27	38·27	38·27
(c)	Wharfage	2·40	2·29	3·00	1·96	2·45	2·60	2·40	6·16
(d)	Other Compulsory Landing Charges	0·43	0·43	0·43	0·43	0·43	0·43	0·43	0·34
(1)	Landed Cost	324·53	326·39	326·93	325·80	326·40	330·66	330·43	334·[illegible]
(2)	Installation	4·71							
(3)	Administration	8·75							
(4)	Distribution	10·33	35·27	35·27	35·27	35·27	35·27	35·27	35·27
(5)	Profit	11·48							
A.	*Ex-Companys' Storage Points*	359·80	361·66	362·20	361·07	361·67	365·93	365·70	369·47
	Packed/Bulk differential for 18·5 Litre Tins	2·56	2·56	2·56	2·56	2·56	2·56	2·56	2·56

STATEMENT No. 8

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : KEROSENE INFERIOR — *SELLING UNIT : KILO LITRE*

(Platt's Oilgram Specification—No. 1 Fuel)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	82·17							
	Less : Discount at 12%	9·86							
(i)	Net f.o.b.	72·31	72·31	72·31	72·31	72·31	72·31	72·31	72·31
(ii)	Freight	8·66	10·65	10·48	10·39	10·51	14·67	14·63	14·65
(iii)	Insc. at 0·0755% on f.o.b.	0·05	0·05	0·05	0·05	0·05	0·05	0·05	0·05
(iv)	Ocean loss at 0·25% on c.i.f.	0·20	0·21	0·21	0·21	0·21	0·22	0·22	0·22
(a)	C.I.F.	81·22	83·22	83·05	82·96	83·08	87·25	87·21	87·23
(b) (i)	Customs and Excise Duties	104·71	104·71	104·71	104·71	104·71	104·71	104·71	104·71
(ii)	Non-recoverable Duties	54·63	54·63	54·63	54·63	54·63	54·63	54·63	54·63
(c)	Wharfage	2·40	2·29	3·00	1·99	2·45	2·60	2·40	6·16
(d)	Other Compulsory Landing Charges	0·27	0·27	0·27	0·27	0·27	0·27	0·27	0·27
(1)	Landed Cost	243·23	245·12	245·66	244·56	245·14	249·46	249·22	253·00
(2)	Installation	4·71							
(3)	Administration	8·75	32·63	32·63	32·63	32·63	32·63	32·63	32·63
(4)	Distribution	10·33							
(5)	Profit	8·84							
A.	Ex-Companys' Storage Points	275·86	277·75	278·29	277·19	277·77	282·09	281·85	285·63
	Packed/Bulk differential for 18·5 Litre Tins	2·56	2·56	2·56	2·56	2·56	2·56	2·56	2·56

STATEMENT No. 9

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT: *VAPORISING OIL* — *SELLING UNIT*: *KILO LITRE*

(Platt's Oilgram Specification—Tractor Vaporising Oil)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	103·25							
	Less: Discount	..							
(i)	Net f.o.b.	103·25	103·25	103·25	103·25	103·25	103·25	103·25	103·25
(ii)	Freight	8·76	10·77	10·60	10·51	10·62	14·88	14·80	14·81
(iii)	Insurance at 0·0755% on f.o.b.	0·08	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(iv)	Ocean loss at 0·35% on c.i.f.	0·39	0·40	0·40	0·40	0·40	0·41	0·41	0·41
(a)	C.I.F.	112·48	114·50	114·33	114·24	114·35	118·57	118·54	118·55
(b) (i)	Customs and Excise Duties	412·24	412·24	412·24	412·24	412·24	412·24	412·24	412·24
(ii)	Non-recoverable Duties	19·35	19·35	19·35	19·35	19·35	19·35	19·35	19·35
(c)	Wharfage	2·40	2·29	3·00	2·01	2·45	2·60	4·20	6·16
(d)	Other Compulsory Landing Charges	1·50	1·50	1·50	1·50	1·50	1·50	1·50	1·50
(1)	Landed Cost	547·97	549·88	550·42	549·34	549·89	554·26	555·83	557·80
(2)	Installation	10·86							
(3)	Administration	13·20							
(4)	Distribution	14·29	57·57	57·57	57·57	57·57	57·57	57·57	57·57
(5)	Profit	19·22							
	Ex-Companys' Storage Points	605·54	607·45	607·99	606·91	607·46	611·83	613·40	615·37

STATEMENT NO. 10

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : *LIGHT DIESEL OIL* — *SELLING UNIT* : *KILO LITRE*

(Platt's Oilgram Specification—Industrial Diesel)

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	83·07							
	Less : Discount at 12%	9·97							
(i)	Net f.o.b.	73·10	73·10	73·10	73·10	73·10	73·10	73·10	73·10
(ii)	Freight	9·35	11·50	11·31	11·22	11·34	15·83	15·80	15·81
(iii)	Insurance at 0·075% on f.o.b.	0·06	0·06	0·06	0·06	0·06	0·06	0·06	0·06
(iv)	Ocean loss at 0·44% on c.i.f.	0·36	0·37	0·37	0·37	0·37	0·39	0·39	0·39
(a)	C.I.F.	82·87	85·03	84·84	84·75	84·87	89·38	89·35	89·36
(b) (i)	Customs and Excise Duties	192·37	192·37	192·37	192·37	192·37	192·37	192·37	192·37
(ii)	Non-recoverable Duties	45·48	45·48	45·48	45·48	45·48	45·48	35·48	45·48
(c)	Wharfage	6·02	2·29	3·75	2·15	2·56	6·00	2·70	6·57
(d)	Other Compulsory Landing Charges	0·55	0·55	0·55	0·55	0·55	0·55	0·55	0·55
(1)	Landed Cost	327·29	325·72	326·99	325·30	325·83	333·78	380·45	334·33
(2)	Installation	3·86							
(3)	Administration	7·79	28·97	28·97	28·97	28·97	28·97	28·97	28·97
(4)	Distribution	6·00							
(5)	Profit	11·32							
A.	Ex-Companys' Storage Points	356·26	354·69	355·96	354·27	254·80	362·75	359·42	363·30

STATEMENT NO. 11

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : FURNACE OIL *SELLING UNIT: METRIC*

Platt's Oilgram Specification—Bunker 'C' Fuel

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	49·29							
	Less : Discount at 10%	4·93							
(i)	Net f.o.b.	44·36	44·36	44·36	44·36	44·36	44·36	44·36	44·36
(ii)	Freight	10·95	13·47	13·26	13·15	13·29	18·55	18·51	18·53
(iii)	Insurance at 0·0755% on f.o.b.	0·03	0·03	0·03	0·03	0·03	0·03	0·03	0·03
(iv)	Ocean loss at 0·11% on c.i.f.	0·06	0·06	0·06	0·06	0·06	0·07	0·07	0·07
(a)	C.I.F.	55·40	57·92	57·71	57·60	57·74	63·01	62·97	62·99
(b)	(i) Customs & Excise Duties	46·61	46·61	46·61	46·61	46·61	46·61	46·61	64·61
	(ii) Non-recoverable Duties	13·00	13·00	13·00	13·00	13·00	13·00	13·00	13·00
(c)	Wharfage	6·43	2·45	4·02	2·25	3·00	6·43	2·89	7·71
(d)	Other Compulsory Landing Charges	0·27	0·27	0·27	0·27	0·27	0·27	0·27	0·27
(1)	Landed Cost	121·71	120·25	121·61	120·00	120·62	129·32	125·74	130·58
(2)	Installation	1·90							
(3)	Administration	2·39	11·40	11·40	11·40	11·40	11·40	11·40	11·40
(4)	Distribution	2·78							
(5)	Profit	4·33							
A.	Ex-Company's Storage Points	133·11	131·65	133·01	131·40	132·02	140·72	137·14	141·98

STATEMENT NO. 12

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : BITUMEN STRAIGHT GRADES *SELLING UNIT : TON*

	Details	Bulk Parity	Packed Parity						
		BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	F.o.b.	50·48	138·02	138·02	138·02	138·02	138·02	138·02	138·02
(ii)	Freight (AFRA for Bulk and Conference Rates for Packed)	13·21	59·94	59·94	59·94	59·94	68·29	72·46	72·46
(iii)	Insurance at 0·0755% on f.o.b. for bulk and at 0·0905% on C&F for packed	0·04	0·18	0·18	0·18	0·18	0·19	0·19	0·19
(iv)	Ocean loss at 0·10% on c.i.f.	0·06	0·20	0·20	0·20	0·20	0·21	0·21	0·21
(a)	C.I.F.	63·79	198·34	198·34	198·34	198·34	206·71	210·88	210·88
(b) (i)	Customs & Excise Duties	68·43	68·43	68·43	68·43	68·43	68·43	68·43	68·43
(ii)	Non-recoverable duties	34·20	34·20	34·20	34·20	34·20	34·20	34·[illegible]	34·[illegible]
(c)	Wharfage	3·61	3·94	4·69	3·35	3·00	5·40	3·60	6·27
(d)	Other Compulsory Landing Charges	0·74	0·74	0·74	0·74	0·74	0·74	0·74	0·74
(e)	Cost of Drums (B.S.R. Basis)	91·46	..	..	..	..	..	..	..
(1)	Landed Cost (Packed)	262·23	305·65	306·40	305·06	304·71	315·48	317·85	320·52
(2)	Installation	9·59	33·11	33·11	33·11	33·11	33·11	33·11	33·11
(3)	Administration	8·78							
(4)	Distribution	4·53							
(5)	Profit	10·21							
A.	Ex-Companys' Storage Points	295·34	338·76	339·51	338·17	337·82	348·59	350·96	353·63

STATEMENT NO. 13

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : BITUMEN CUTBACKS *SELLING UNIT : METRIC TON*

	Details	Bulk Parity BOMBAY	Packed Parity KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	F.o.b.	70·74	170·91	170·91	170·91	170·91	170·91	170·91	170·91
(ii)	Freight (AFRA for Bulk & Conference Rates for Packed)	13·21	61·05	61·05	61·05	61·05	69·57	73·85	73·85
(iii)	Insurance at 0·0755% on f.o.b. for bulk and at 0·0905% on C&F for packed	0·05	0·21	0·21	0·21	0·21	0·22	0·22	0·22
(iv)	Ocean loss at 0·10% on c.i.f.	0·08	0·23	0·23	0·23	0·23	0·24	0·25	0·25
(a)	C.I.F.	84·08	232·40	232·40	232·40	232·40	240·94	245·23	245·23
(b) (i)	Customs & Excise Duties	78·43	78·43	78·43	78·43	78·43	78·43	78·43	78·43
(ii)	Non-recoverable Duties	18·70	18·70	18·70	18·70	18·70	18·70	18·70	18·70
(c)	Wharfage	3·61	3·94	4·69	3·35	3·00	5·40	3·60	6·27
(d)	Other Compulsory Landing Charges	0·74	0·74	0·74	0·74	0·74	0·74	0·74	0·74
(e)	Cost of Drums (B.S.R. Basis)	118·57	..	..	..	..	..	..	..
(1)	Landed Cost (Packed)	304·13	334·21	334·96	333·62	333·27	344·21	346·70	349·37
(2)	Installation	9·59							
(3)	Administration	8·78							
(4)	Distribution	4·53	34·26	34·26	34·26	34·26	34·26	34·26	34·26
(5)	Profit	11·36							
A.	Ex-Companys' Storage Points	338·39	368·47	369·22	367·88	367·53	378·47	380·96	383·63

STATEMENT NO. 14

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : BITUMEN CUTBACKS RC GRADES *SELLING UNIT : METRIC TON*

Details	Bulk Parity	Packed Parity						
	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.o.b.	80·59	180·76	180·76	180·76	180·76	180·76	180·76	180·76
(ii) Freight (AFRA for Bulk & Conference Rates for Packed)	13·21	61·05	61·05	61·05	61·05	69·57	73·85	73·85
(iii) Insurance at 0·0755% on f.o.b. for bulk & at 0·0925% on C&F for packed	0·06	0·22	0·22	0·22	0·22	0·23	0·23	0·23
(iv) Ocean loss at 0·10% on c.i.f.	0·09	0·24	0·24	0·24	0·24	0·25	0·26	0·26
(a) C.I.F.	93·95	242·27	242·27	242·27	242·27	250·81	255·10	255·10
(b) (i) Customs & Excise Duties	78·43	78·43	78·43	78·43	78·43	78·43	78·43	78·43
(ii) Non-recoverable Duties	18·70	18·70	18·70	18·70	18·70	18·70	18·70	18·70
(c) Wharfage	3·61	3·94	4·69	3·35	3·00	5·40	3·60	6·27
(d) Other Compulsory Landing Charges	0·74	0·74	0·74	0·74	0·74	0·74	0·74	0·74
(e) Cost of Drums (B.S.R. Basis)	118·57	..	..	..	..	..	..	..
(1) Landed Cost (Packed)	316·63	344·08	344·83	343·49	343·14	354·08	356·57	359·24
(2) Installation	9·59							
(3) Administration	8·78							
(4) Distribution	4·53	34·58	34·58	34·58	34·58	34·58	34·58	34·58
(5) Profit	11·68							
A. Ex-Companys' Storage Points	348·58	378·66	379·41	378·07	377·72	388·66	391·15	393·82

STATEMENT NO. 15

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 1-7-1965

PRODUCT : NAPHTHA — *SELLING UNIT: KILO LITRE*

	Details	BOMBAY	KANDLA	OKHA	GOA	COCHIN	MADRAS	VIZAG	CALCUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	38·66							
	Less : Discount at 10%	3·87							
(i)	Net f.o.b.	34·79	34·79	34·79	34·79	34·79	34·79	34·79	34·79
(ii)	Freight	7·77	9·56	9·41	9·33	9·43	13·17	13·14	13·15
(iii)	Insurance at 0·0755% on f.o.b.	0·03	0·03	0·03	0·03	0·03	0·03	0·03	0·03
(iv)	Ocean loss at 0·11% on c.i.f.	0·05	0·05	0·05	0·05	0·05	0·05	0·05	0·06
(a)	C.I.F.	42·64	44·43	44·28	44·20	44·30	48·04	48·01	48·03
(b)	Customs & Excise Dutiea @ 5 % on c.i.f.	2·13	2·22	2·21	2·21	2·22	2·40	2·40	2·40
(c)	Wharfage	4·58	1·74	2·85	1·79	2·13	4·56	2·05	5·47
(d)	Other Compulsory Landing Charges	1·73	1·73	1·73	1·73	1·73	1·73	1·73	1·73
(1)	Landed Cost	51·08	50·12	51·07	49·93	50·38	56·73	54·19	57·63
(2)	Installation	1·55							
(3)	Administration	1·32							
(4)	Distribution	1·46	6·24	6·24	6·24	6·24	6·24	6·24	6·24
(5)	Profit	1·91							
A.	Ex-Companys' Storage Points.	57·32	56·36	57·31	56·17	56·62	62·97	60·43	63·87

ANNEXURE I

FUNCTION-WISE INCIDENCE OF BULK REFINED PRODUCTS, BITUMEN ETC. FOR THE YEARS 1962 AND 1963 FOR THE DIFFERENT COMPANIES

(*Vide* Para. 9·7)

(Figures in Rupees)

Details	OPEC Esti-mate	BURMAH-SHELL		ESSO		CALTEX		I.O.C.		I.B.P.		B.O.C.(I.T.)	
		1962	1963	1962	1963	1962	1963	(62-63) 1962	1963	1962	1963	1962	1963
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Aviation Spirit (KL)													
Installation	15·95	11·77	11·94	15·77	10·78	44·71	15·87					8·06	6·71
Administration	17·84	17·27	19·13	19·80	19·40	18·65	18·02					12·85	11·60
Distribution	11·31	17·53	19·76	18·14	17·88	20·51	14·12					58·92	49·87
Airfields	43·51	43·02	42·58	53·80	50·82	..	..					63·04	69·67
TOTAL	88·61	89·59	93·41	107·51	98·88	83·87	48·01					142·87	137·85
Aviation Turbine Fuel (*KL*)													
Installation	4·97	3·93	3·03	2·75	2·87	4·80	5·22					13·30	5·77
Administration	7·08	6·38	7·30	7·57	7·76	6·45	6·45					5·87	5·64
Distribution	2·95	5·29	8·03	6·05	5·24	1·83	5·00					27·78	26·01
Airfields	27·08	22·84	24·11	20·59	20·38	119·28	56·81					27·79	33·48
TOTAL	42·08	38·44	42·47	36·96	36·25	132·36	73·48					74·74	70·90
Motor Spirit (*KL*)													
Installation	9·81	7·38	8·10	7·36	7·11	9·00	8·70	6·96		6·88	8·39	11·79	11·99
Administration	17·14	15·22	16·65	17·59	17·32	16·45	16·50	11·06		9·46	12·28	9·71	9·40
Distribution	15·62	15·52	15·19	13·98	14·22	13·46	12·95	12·82		19·79	17·19	11·33	14·37
R.P.O.	12·78	10·61	9·62	17·77	14·93	17·01	15·01			11·49	12·45	7·37	7·14
TOTAL	55·35	48·73	49·56	56·70	53·58	55·92	53·16	30·84	47·99	47·62	50·31	40·20	42·90

1	2	3	4	5	6	7	8	9	10	11	12	13	14
High Speed Diesel (KL)													
Installation	5·83	4·32	2·51	4·78	5·35	6·50	5·71	7·89		5·96	8·49	11·72	12·14
Administration	12·74	13·38	15·01	15·54	15·66	14·53	14·84	12·54		8·20	12·43	9·08	8·77
Distribution	13·53	12·97	13·44	15·60	14·53	16·00	14·18	7·11		18·02	19·57	4·54	5·91
R.P.O.	11·23	8·46	6·88	13·44	10·03	13·89	11·63	..		10·30	10·91	11·17	10·27
TOTAL	43·33	39·13	37·84	49·36	45·57	50·92	46·36	27·54	27·89	42·48	51·40	36·51	37·09
Kerosene (KL)													
Installation	5·89	5·31	5·45	3·55	2·91	5·89	5·78	4·15		3·69	5·11	7·81	8·38
Administration	8·75	8·15	9·14	9·27	9·42	8·83	9·31	6·60		5·08	7·47	5·13	4·82
Distribution	9·77	14·96	11·05	8·64	9·55	10·86	11·17	6·71		11·97	13·08	5·13	8·99
TOTAL	24·41	28·42	25·64	21·46	21·88	25·58	26·26	17·46	21·22	20·74	25·66	18·07	22·19
Light Diesel Oil (KL)													
Installation	4·80	4·29	3·54	3·00	3·61	3·79	3·32	3·81		3·64	4·83	7·78	8·92
Administration	7·79	7·68	8·69	8·96	9·14	8·15	8·53	6·06		4·91	7·08	4·50	4·72
Distribution	6·97	12·87	9·94	8·45	10·60	10·06	10·85	0·84		10·36	11·25	2·60	6·00
TOTAL	19·56	24·84	22·17	20·41	23·35	22·00	22·70	10·71	20·41	18·71	23·16	14·88	19·64
Vaporising Oil (KL)													
Installation	11·66	9·36	12·31	16·25	6·15	12·91	18·22					17·94	12·91
Administration	13·20	13·64	14·99	15·64	15·52	14·91	14·84					8·97	8·61
Distribution	15·31	21·92	20·96	25·64	33·69	13·68	30·12					7·05	8·25
TOTAL	40·17	44·92	48·26	57·53	55·36	41·50	63·78					33·96	29·77

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Furnace Oil (KL)													
Installation . .	2·81	2·89	2·64	2·65	2·19	2·63	2·06	2·05				2·93	2·55
Administration . .	4·20	3·92	3·59	4·48	3·73	4·20	3·50	3·26				2·61	2·20
Distribution . .	1·82	4·99	4·25	3·72	3·13	2·25	3·03	1·74				..	2·83
TOTAL . .	8·83	11·80	10·48	10·85	9·05	9·08	8·59	7·05	6·77			5·54	7·58
Bitumen (MT)													
Installation . .	10·91	14·78	13·12	4·50	3·26	4·69	2·81					10·46	8·67
Administration . .	9·03	8·60	8·12	9·80	8·56	9·11	7·84					6·57	5·35
Distribution . .	3·94	5·11	4·79	6·85	3·95	3·37	2·70					2·05	1·84
TOTAL . .	23·88	28·49	26·03	21·15	15·77	17·17	13·35					19·08	15·86
Lubricants and Greases (KL)													
Installation . .	30·72	36·80	30·18	16·54	11·26	10·38	8·39	11·84		8·58	10·53	16·74	14·19
Administration . .	28·88	26·26	23·55	30·43	25·06	28·01	23·71	18·82		11·88	15·13	11·34	8·31
Distribution . .	33·48	42·37	41·71	26·30	20·50	8·55	7·87	7·94		23·43	20·39	72·14	85·27
TOTAL . .	93·08	105·43	95·44	73·27	56·82	46·94	39·97	38·60	43·98	43·89	46·05	100·22	107·77
Other Products (KL)													
Installation . .	9·72	9·54	8·95	8·89	7·14	3·25	3·03			3·67	4·25	5·40	6·13
Administration . .	9·98	9·84	9·75	16·24	13·83	7·36	6·13			5·33	6·50	7·53	6·10
Distribution . .	5·20	11·19	10·13	11·09	10·40	2·35	1·79			10·33	8·50	28·75	23·42
TOTAL . .	24·90	30·57	28·83	36·22	31·37	12·96	10·95		19·73	19·33	19·25	41·68	35·65
Aviation Spirit (KL)													
International Airfields .	38·28	38·91	38·12	41·90	48·79	..	..						
Other Airfields . .	55·78	47·55	45·76	66·60	51·90	..	..					63·04	69·67
AVERAGE . .	43·51	43·02	42·58	53·80	50·82	..	..					63·04	69·67
Aviation Turbine Fuel (KL)													
International Airfields .	24·44	21·54	22·93	19·56	20·30	119·28	56·81					..	..
Other Airfields . .	41·94	29·82	27·33	27·08	20·58	..	..					27·79	33·48
AVERAGE . .	27·08	22·84	24·11	20·59	20·38	119·28	56·81					27·79	33·48

ANNEXURE 2

DIFFERENCE BETWEEN OUR ESTIMATED CEILING SELLING PRICES EX-OIL COMPANIES STORAGE POINTS ETC. AND THE CEILING SELLING PRICES AS AT 1-7-1965

(*Vide* Para 17·1)

	SELLING UNIT	BOMBAY	KANDLA	OKHA	MARMA-GOA	COCHIN	MADRAS	VIZAG	CAL-CUTTA
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. *Aviation Spirit* 100/130 . . .	KL								
Ex-Storage Points		19·20	21·56	..	19·05	..	9·60	..	14·07
Ex-Incrnational Airfields . .		13·56	15 92	..	..	..	3·96	..	8·43
Ex-Other Airfields		13·56	15·92	..	13·41	..	3·96	..	8·43
2. *Aviation Spirit* 115/145 . . .	KL								
Ex-Storage Points . . .		15·24	..	..	15·09	..	5·53	..	10·02
Ex-International Airfields . .		9·60	..	..	..	..	(0·11)	..	4·38
Ex-Other Airfields		9·60	..	..	9·45	..	(0·11)	..	4·38
3. *Aviation Spirit 73 ON* . . .	KL								
Ex-Storage Points . . .		16·14	..	..	..	..	..	..	15·00
Ex-International Airfields . .		10·50	..	..	..	..	..	..	9·36
Ex-Other Airfields		10·50	..	..	..	..	..	..	9·36
4. *Aviation Turbine Fuel* . . .	KL								
Ex-Storage Points		25·58	31·08	26·83	27·04	..	18·66	..	20·06
Ex-International Airfields . .		19·09	24·49	20·24	..	..	12·07	..	13·47
Ex-Other Airfields		19·09	24·49	20·24	20·45	..	12·07	..	13·47

5. *Motor Spirit*	KL								
Ex-Storage Points		..	..	..	..	..	..	..	..
Ex-Port Local Pumps		0·61	(1·44)	(5·63)	(1·91)	(3·45)	(4·62)	(6·10)	2·06
Ex-Upcountry Pumps		(13·14)	(15·19)	(19·38)	(15·66)	(17·20)	(18·37)	(19·85)	(11·69)
6. *High Speed Diesel Oil*	KL								
Ex-Storage Points		(7·58)	(8·93)	(9·75)	(11·64)	(11·56)	(12·84)	(13·15)	(11·85)
Ex-Port Local Pumps		(5·09)	(6·44)	(7·26)	(9·15)	(9·07)	(10·35)	(10·66)	(11.56)
Ex-Upcountry Pumps		(6·09)	(6·44)	(7·26)	(9·15)	(9·07)	(10·35)	(10·66)	(11·56)
Ex-Agents		(16·09)	(17·44)	(18·26)	(20·15)	(20·07)	(21·35)	(21·66)	(22·56)
Ex-Storage Point Price only									
7. Kerosene Superior	KL	0·18	1·33	1·34	2·2[illegible]	1·64	(2·97)	(2·38)	(3·51)
8. Kerosene Inferior	KL	(0·54)	(0·51)	..	(3·49)	(3·99)	(7·17)	(6·31)	(8·26)
9. Vaporising Oil	KL	3·98	6·00	..	3·77	..	(5·05)	..	(3·67)
10. Light Diesel Oil	KL	(4·49)	(1·35)	(2.66)	(5·63)	(6·23)	(9·53)	(9·83)	(12·54)
11. Furnace Oil	MT	(8·26)	(7·71)	(8·00)	(7·63)	(8·33)	(15·53)	(17·60)	(16·89)
12. Bitumen Straight Grade	MT	(26·69)	7·06	7·05	5·61	5·62	16·89	14·34	12·09
13. Bitumen Cutback B.S.	MT	(30·70)	(10·29)	(10·30)	(11·74)	(11·73)	(0·29)	(2·72)	(4·97)
14. Bitumen Cutback R.C.	MT	(20·51)	(0·10)	(0·11)	(1·55)	(1·54)	9·90	7·47	5·22
Charges and Profit only									
15. Lubricants and Greases	KL	(28·90)	(28·90)	(28·90)	(28·90)	(28·90)	(28·90)	(28·90)	(28·90)
16. Other specialties	KL	(6·08)	(6·08)	(6·08)	(6·08)	(6·08)	(6·08)	(6·08)	(6·08)

[Figures in brackets indicate reductions from the Current Prices]

Note.—The increase in prices in certain cases is explained below :—

1. Aviation Spirit 100/130 for Bombay Port average of ex-storage and ex-Airfields :

		Rs./KL
(*i*) Reduction indicated by OPEC		9·78
(*ii*) Additional (non-recoverable) duty levied as applicable to Motor Spirit against—		
(*a*) (*i*) above	22·02	
(*b*) C and F reduction	14·19	36·21
(*iii*) Excess levy (*ii*) minus (*i*)		26·43

REDUCTION :

(*iv*) In C and F as on 1-7-65 from 1-10-61	4·87
(*v*) Marketing and distribution charges recommended in Chapter 10	4·80
(*vi*) Total	9·67
(*vii*) Difference of the existing and our estimate of price (*iii*) minus (*vi*)	16·76
(*viii*) On all India volume this difference amounts to Rs. 17·59 per kilo litre	17·59

2. Aviation Turbine Fuel for Bombay port average for ex-storage and ex-Airfields :

(*i*) Reduction indicated by OPEC	6·26
(*ii*) Additional (non-recoverable) duty levied as applicable to Superior Kerosene against— (*a*) (*i*) above —25·72 (*b*) C and F reduction —8·16	33·88
(*iii*) Excess levy (*ii*) minus (*i*)	27·62
(*iv*) *Decrease* in C and F as on 1-7-65 from 1-10-61	7·00
(*v*) *Increase* in marketing charges and profit recommended in Chapters 10 and 11	1·00
(*vi*) Total of (*iv*) and (*v*)	6.00
(*vii*) Difference of the existing and our estimate of price (*iii*) minus (*vi*)	21·62
(*viii*) On all India volume this difference amounts to	23·00

APPENDIX I

No. 101 (35)/63-PPD

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM & CHEMICALS

New Delhi, the 12th May, 1964

MEMORANDUM

SUBJECT :—*Working Group for examination of pricing arrangements in respect of petroleum products*

The Government of India had set up an Oil Price Enquiry Committee in 1960. The recommendations of this Committee, on acceptance by the Government, are in force from 1-10-1961 and will continue to form the basis of prices of petroleum products upto 31-3-1965. The Government of India have now set up a Working Group to determine the ceiling selling prices, ex-companies' storage points, of various petroleum products in India, to be applied from 1-4-1965.

2. The Working Group shall examine and report upon—

(*i*) the manner of determination of the ex-refinery prices of refined petroleum products, including bitumen produced by the refineries ;

(*ii*) the manner of determination of landed prices in respect of similar products which may be imported ;

(*iii*) determination of marketing and distribution charges of products mentioned in (*i*) and (*ii*) above ;

(*iv*) the determination of ceiling selling prices in respect of lubricant oils, greases and specialties.

3. The Working Group may also consider the possibility of linking prices with the physical supply areas for the products of individual refineries, and consider the possibility of uniform or pool prices for the whole of the country or in different zones which may be created for the purpose. It is possible that physical supply areas may differ for the different products from the same refinery.

4. The Working Group will consist of the following :—

(*a*) Shri J. N. Talukdar,
3-A, Albert Road, Calcutta-16 . *Chairman*

(*b*) Shri S. S. Shiralkar,
Joint Secretary, Ministry of Finance,
New Delhi . . . . . . *Member*

(*c*) Shri N. Krishnan,
Chief Cost Accounts Officer, Ministry
of Finance, New Delhi . . *Member*

5. The Working Group has been requested to submit its report to Government in this Department by the 31st December, 1964.

6. Shri N. R. Law, Under Secretary, Ministry of Petroleum and Chemicals, will serve as the Secretary to this Working Group and all correspondence intended for the Committee may be addressed to him.

(Sd.) S. D. BHAMBRI,
Deputy Secretary to the Govt. of India.

To,

All the Ministries of the Govt. of India.

All the State Governments and Union Territories

APPENDIX II

List of the Parties to whom the Questionnaires were issued and from whom replies were received

1. The Chief Representative in India,
   M/s. Burmah Shell Oil Storage and
   Distributing Company of India Limited,
   P. B. No. 626, NEW DELHI-1.

2. M/s. Burmah Shell Refineries Limited,
   P. B. No. 1725,
   BOMBAY-1.

3. M/s. Esso Standard Eastern Inc.,
   P. B. No. 355,
   BOMBAY-1.

4. M/s. Esso Refining Company of India Limited
   P. B. No. 355,
   BOMBAY-1.

5. M/s. Caltex (India) Limited,
   P. B. No. 155,
   BOMBAY-1.

6. M/s. Caltex Oil Refining (India) Limited,
   P. B. No. 155,
   BOMBAY-1.

7. M/s. Indian Oil Corporation Limited,
   (Marketing Division),
   Clarke Road, Mahalaxmi,
   BOMBAY-34.

8. M/s. Indian Oil Corporation Limited,
   (Refineries Division),
   Link House, Mathura Road,
   NEW DELHI.

9. M/s. Burmah Oil Company (India Trading) Ltd.,
   2/113, Parliament Street,
   P. B. No. 203,
   NEW DELHI-1.

10. M/s. Assam Oil Company Limited,
    P. O. Digboi,
    ASSAM.

11. M/s. Indo-Burma Petroleum Company Ltd.,
Gillanders House,
Netaji Subhas Road, P. B. No. 383,
CALCUTTA-1.

12. M/s. Cochin Refineries Limited,
C/143, Defence Colony,
NEW DELHI-3.

13. M/s. Western India Distributing Company Ltd.,
Alice Building, Dr. D. N. Road,
P. B. No. 975,
BOMBAY-1.

14. M/s. Castrol Limited,
91, Walkeshwar Road,
BOMBAY-6.

15. M/s. Gulf Oil (India) (Private) Limited,
Steelcrete House, P. B. No. 1943,
3, Dinshaw Wacha Road,
BOMBAY.

16. M/s. Tide Water Oil (India) (Private) Ltd.,
8, Clive Road,
CALCUTTA.

17. M/s. Twilit Corporation (Private) Ltd.,
Army Navy Building,
Mahatma Gandhi Road, Fort,
BOMBAY-1.

*18. M/s. Soorajmull Nagarmull
8, Dalhousie Square, East,
CALCUTTA.

*19. M/s. Sikri & Grover,
P. B. No 1840,
BOMBAY-1.

20. M/s. Victor Oil Company (Private) Ltd.,
8, Middleton Street,
CALCUTTA-16.

21. M/s. H. J. Leach & Company (Private) Ltd.,
Asian Building, Nicol Road,
Ballard Estate,
BOMBAY-1.

22. Ministry of Petroleum and Chemicals.

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*No reply received from these firms.

APPENDIX III

List of Persons who attended discussion with the Working Group

(*Vide* paras. 1.5 and 1.6)

AT NEW DELHI

Mr. G. N. S. Robertson Shri S. H. Utam Singh Shri M. C. Bhatt	Representing M/s. Oil India Ltd.	10-5-63
Mr. T. A. Simmonds Mr. J. H. A. Midwood	Representing M/s. Assam Oil Co. Ltd. & M/s. Burmah Oil Co. (India Trading) Ltd.	10-5-63 & 11-5-63

AT BOMBAY

Mr. H. M. Jones Mr. R. A. R. Pattman Mr. H. W. J. Nash Mr. A. J. W. S. Leonard	Representing M/s. Burmah-Shell Oil Storage & Distributing Co. of India Ltd. & M/s. Burmah-Shell Refineries Limited	27-5-65
Mr. R. A. Brown Shri J. C. Goyle Mr. R. G. Ernst Mr. F. R. Hall Mr. J. B. Hanna Mr. J. P. Davis Mr. C. R. Sitter Shri P.N. Sardesai	Representing M/s. Esso Standard Eastern Inc. & M/s. Esso Standard Refining Company of India Ltd.	28-5-65
Mr. H. D. Dennis Mr. V. P. Ryan Shri H. R. Bery Mr. J. W. White Mr. R. B. Brown Shri S. G. Subramanian	Representing M/s. Caltex (India) Ltd. & M/s. Caltex Oil Refining (India) Ltd.	29-5-65
Shri P. A. Gopalkrishnan Shri A. K. Srivastava Shri M. V. Rao Shri R. Krishnaswamy Shri B. M. Lal Shri J. Jayaraman	Representing M/s. Indian Oil Corporation Ltd.	31-5-65

10 M of Petrol—10.

Shri K. K. Roy Shri M. J. Desai Shri M. N. Patel Shri J. J. Patel	Representing M/s. Western India Oil Distributing Co. Ltd.	1-6-65

AT NEW DELHI

Mr. A. J. W. S. Leonard Mr. R. A. R. Pattman Shri G. Cheriyan Shri K. B. Menon Shri J. B. Mallik Shri K. N. Khanna	Representing M/s. Burmah Shell Oil Storage and Distributing Co. of India Ltd.	28-6-65
Shri A. K. Srivastava Shri Indu Vira Shri J. Jayaraman	Representing M/s. Indian Oil Corporation Ltd. (Marketing Div.)	29-6-65
Mr. R. A. Brown Shri J. C. Goyle Mr. F. R. Hall Mr. J. B. Hanna Mr. J. P. Davis Mr. C. R. Sitter Shri P. N. Sardesai	Representing M/s. Esso Standard Eastern Inc.	30-6-65
Mr. G. N. S. Robertson Mr. J. D. Watt Mr. C. E. Finlay Mr. T. A. Simmonds	Representing M/s. Burmah Oil Co. (India Trading) Ltd.	30-6-65
Mr. R. B. Brown Shri J. G. Pradhan Shri S. G. Subramaniam Shri N. T. Jayari	Representing M/s. Caltex (India) Ltd.	1-7-65
Shri P. R. Nayak, Secretary to the Government of India	Ministry of Petroleum and Chemicals. (Department of Petroleum)	28-6-65 & 29-6-65
Shri S. K. Guha, Joint Secretary to the Govt. of India	Do.	
Shri S. D. Bhambri, Deputy Secretary to the Govt. of India	Do.	
Shri N. N. Kashyap, Managing Director.	Indian Oil Corporation Ltd. (Refineries Div.)	2-7-65
Shri K. L. Goel	Do.	
Shri A. Zaman, Chairman.	Oil and Natural Gas Commission, Dehra Dun	2-7-65
Shri A. B. P. Nayar, Member (Finance).	Do.	
Shri S. R. K. Trehan	Do	

Shri A. R. Damodaran Shri B. R. Jain Shri R. S. Vatcha Shri B. L. Saraogi Shri A. C. Khanna Shri S. Thiruvengudam	Federation of All India Petroleum Traders, Calcutta.	1-7-65
Shri V. R. S. Raman, Block 1, Surya Niwas, Plot 8, West Sion Colony Road, Sion, BOMBAY-22 (DD)		1-7-65

ADDENDUM 1

No. 101(26)/65-PPD

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

DEPARTMENT OF PETROLEUM

New Delhi the 1*st February,* 1966/12*th Magha,* 1887 (*S*)

RESOLUTION

The Government of India have carefully considered the Report of the Working Group set up on 12th May 1964 under the Chairmanship of Shri J. N. Talukdar, formerly Chief Secretary, Government of West Bengal, to advise on the manner of determining ex-refinery and landed prices of petroleum products in the future and on other connected matters.

2. In this consideration, Government have taken particular note of two important factors that have been emerging of late, *viz., firstly,* the increasing production of crude oil in the country and the growth of indigenous refining capacity based on both local and imported crudes and, *secondly,* as a consequence, the steady and substantial diminution in the import of finished products and changes in the terms and conditions of such imports. These developments require, amongst other things, that producers of indigenous crude oil are assured of an adequate price consistent with the costs of exploration and production in the country. The practice followed hitherto has been to price indigenous crude delivered to the consumer on the basis of parity with the discounted and fluctuating prices of imported crude, from time to time. On crude imports, Government have been making efforts, with a fair measure of success, to secure prices that are in keeping with world market conditions. The establishment of import prices at fair and reasonable levels is important for the conservation of the country's foreign exchange resources, apart from being justified on purely commercial considerations. Government will, therefore, continue to work towards this objective with all the means at their disposal, as occasion requires. But in this situation, a modification of the existing practice of pricing indigenous crude is called for, as it does not provide an economic base for the conduct of oil exploration and production operations in the circumstances prevailing in the country. In other words, it is necessary to grant a measure of protection to indigenous crude producers and assure them of a price that is in keeping with the cost of their operations from time to time. Consistent with such crude costs, and in order to maintain the economics of refining operations at reasonable levels, ex-refinery product prices must be re-fixed appropriately. This would not, however, affect the policy of importing products, to the extent imports may be needed, on the best available terms.

3. After a careful study on the foregoing lines, Government have taken the following decisions:—

(i) Until further orders, the producers of indigenous crudes will, save in the cases in which a different basis for price fixation may exist under any agreement between Government and the producer, receive a price that is not less than the landed cost (exclusive of import duty, if any) calculated on the basis of the full posted F.O.B. prices of analogous crudes imported from the Middle East. Users of indigenous crude will be required or requested, as the case may be, to accept this price basis. If and when circumstances arise, Government will reconsider the price basis now laid down.

(ii) Ex-refinery prices of bulk refined products in the cases of all refineries in the country, and landed prices, when applicable, will be fixed on the basis of import parity starting from full (*i.e.* undiscounted) F.O.B. postings at Abadan (at the lowest of Platt's) as on 18th May, 1965.

(iii) There will be levied on imported crude a protective import duty at a level determined by the related circumstances prevailing from time to time.

4. The recommendations of the Working Group in respect of the prices of bulk refined products, bitumen, lubricants, greases and specialties have been considered by Government against the above background and it has been decided to adopt and apply them with effect from the 1st February, 1966, subject to the following modifications:—

(a) In the case of Bulk Refined Petroleum Products (including Bitumen), the basic ceiling selling prices will be determined on 'import parity', subject to f.o.b. postings (without any discounts) at Abadan (at the lowest of Platt's in respect of Bulk Refined Products) as on the 18th May 1965 being adopted as the basis; no variations from the postings as on that date will be allowed except when Government is satisfied that changes are justified.

(b) The requirements of Working Capital computed by the Group will be recalculated (with due regard to the rates of central duties of excise and customs and wharfage in force on the 1st December 1965) at 1/6th of the annual value of sales.

5. The current basic ceiling selling prices of Bulk Refined Petroleum Products (and Bitumen) to the consumers will remain unaltered, but there will be certain variations in the rates of Additional (Non-recoverable) Duties leviable under the Ministry of Finance (Department of Revenue) Notification No. 99/65, dated 26th June, 1965, issued under the Mineral Products (Additional Duties of Excise and Customs) Act, 1958 (No. 27 of 1958) to allow for changes in the various elements in the build up of ceiling selling prices.

6. The existing system of 'block control' on marketing and distribution charges and profit of the oil marketing companies in respect of Lubricants/Greases/Specialties will be continued at the ceiling rates recommended by the Working Group but there will be a change in the rate of Additional (non-recoverable) Duty applicable to these products in terms of the Notification of 26th June 1965, mentioned in para 5 above.

7. The decisions herein contained about the prices of old products will remain in force till 31st December 1967, to begin with, and Government may extend their validity for a further period or periods.

8. In regard to some of the other recommendations of the Working Group, the decisions of Government will be announced in due course.

New Delhi, the 1st *February,* 1966. (Sd/-) P. R. NAYAK,

Secretary to the Government of India.

ORDER

ORDERED that a copy of this Resolution be communicated to all State Governments and Union Territory Administrations, Lok Sabha and Rajya Sabha Secretariats and the concerned Ministries and Departments of the Government of India.

ORDERED also that the Resolution be published in the Gazette of India for general information.

(Sd/-) P. R. NAYAK,

Secretary to the

Government of India.

ADDENDUM 2

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM & CHEMICALS

No. 101(47)/65-PPD *New Delhi the 1st February,* 1966.

To

The Chief Representative,
M/s. Burmah-Shell Oil Storage &
Distributing Co. of India Ltd.,
P.B. No. 626, Connaught Circus,
NEW-DELHI-1.

The General Manager,
M/s. Esso Standard Eastern Inc.,
P.B. No. 355,
BOMBAY-1.

The Resident Vice-President,
M/s. Caltex (India) Ltd., P.B. No. 155,
BOMBAY-1.

Dear Sir(s),

SUBJECT:—*Pricing of Petroleum Products.*

I am directed to invite attention to this Ministry's Memo. No. 101(35)/63-PPD, dated 12th May 1964, relating to the setting up of the Working Group to advise on the manner of determining the ceiling selling prices ex-companies' storage points of various petroleum products to be applied in the future and to examine and report on other matters set out therein.

2. I enclose herewith four copies each of the Report dated 18th August 1965 of the said Group and the Resolution No. 101(26)/65-PPD dated 1st February 1966, of the Government of India on the subject and to say that it has been decided to apply the recommendations in the Report with effect from 1st February 1966, subject to the following modifications:—

(a) According to para 6.21 of its Report, the Working Group has taken into account the minimum discounts, mentioned therein, off f.o.b. Abadan postings in the calculation of the basic ceiling selling prices of Bulk Refined Products (with Cost and Freight as on 1st July 1965) but the prices applicable from 1st February 1966 will be calculated at

the lowest of Platt's f.o.b. postings at Abadan (*i.e.*, without discounts) as well as marine freight as per INTASCALE (with AFRA variation) as in force on 18th May 1965.

(b) In respect of Bulk Refined Products, variations in the future from the lowest f.o.b. postings at Abadan as on 18th May 1965, will not be allowed except when Government is satisfied that a good and valid cause exists for such variation.

(c) Adjustments in marine freight due to half-yearly AFRA variations will be allowed.

(d) The variations in f.o.bs. (when allowed by Government) and ocean freight will be reflected, as before, in the C & F Adjustment Account, provided in the *ad hoc* Price Agreement of 23rd September 1960, which will be continued to be maintained as heretofore, subject to such modifications in the maintenance and submission thereof as may be prescribed, from time to time, by Government. The variations will be related to f.o.b. and marine freight as on 18th May, 1965.

(e) The Working Group has calculated the basic ceiling selling prices at the rates of duty and wharfage in force on 1st July 1965 and has made consequential calculations on the same line but the basis prices as well as the other relevant calculations have now been determined at the rates of duty and wharfage as on 1st December, 1965.

This calculation has not taken into account the adventitious gain/loss to the Industry on duty-paid stocks held at the time of revision of duty rates, the question of adjustment of which will be separately considered.

(f) In para 11.6 of the Working Group's Report the requirement of working capital has been computed at 1/5th of the annual cost of sales. In Government's view, it should be sufficient to provide for working capital at 1/6th of annual cost of sales. The basic ceiling selling prices have been recalculated accordingly.

3. The basic ceiling selling prices of Bulk Refined products and Bitumen currently in force [and notified in this Ministry's letter No. 101(12)/65-PPD, dated 21st December 1965 (as subsequently modified by letter No. 101(3)/66-PPD, dated 19th January 1966)] will not be altered but the difference in these ceilings and the ceilings calculated as per para 2 above will be mopped up by suitable adjustment of the existing rates of Additional (non-recoverable) duties in force under the Ministry of Finance (Department of Revenue) Notification No. 99/65 dated 26th June 1965, issued in terms of the Mineral Products (Additional Duties of Excise and Customs) Act, 1958 (No. 27 of 1958).

4. The existing system of 'block control' on Marketing and Distribution charges and Profit in respect of Lubricants, Greases and

Specialties will be continued at the following ceiling rates, *vide* para 10.7 of WGOP Report:—

	Rs./Kl.		
	Charges	*Profit*	*Total*
(*i*) Lubricants/Greases	73·73	20·63	94.36
(*ii*) Specialties	17·66	9·71	27·37

The element of profits has been determined according to the modification in para 2 above. The difference between the existing and the new rates is being mopped up by the enhancement of the rate of Additional (non-recoverable) duty in force at date in respect of these products under Ministry of Finance (Department of Revenue) Notification No. 99/65, dated 26th June, 1965.

5. The packed/bulk differential in respect of 18·5 litre tins shall be Rs. 2·56 per tin, subject to adjustment for any variation in the price of tinplate adopted by the Working Group in its calculations, *vide* Chapter 13 of the Report.

6. Packing cost for supplies of Bitumens ex-Bombay will apply at the following rates, subject to variation on the lines provided in note (iii) in Chapter 16 of the Report:—

	Rs./metric tonne Cost of drums (BSR basis)
(*i*) Bitumen Straight Grades . . .	91·46
(*ii*) Bitumen Cutbacks	118·57
(*iii*) Bitumen Cutbacks/RC Grades . .	118·57

A suitable amendment to this Ministry's letter No. 101(12)/65-PPD, dated 21st December 1965 to take effect from 1st February, 1966 is under issue separately.

7. The above-mentioned pricing arrangement shall remain in force to begin with upto 31st December 1967, but may be extended further at the discretion of Government.

8. The basic ceiling selling prices (without Additional non-recoverable duties) recalculated on the lines of the above decisions in respect of Bulk Refined Products and Bitumens are shown in the enclosed Statements No. 1 to 14.

9. Regarding other recommendations of the Working Group further communications will follow.

10. An acknowledgement of this letter is required.

Yours faithfully,

K. G. PARANJPE,

Deputy Secretary to the Govt. of India.

for and on behalf of the President of India.

Copy together with enclosures to:—

(1) M/s. Indo Burmah Petroleum Co. Ltd., Gillanders House, N.S.C. Bose Road, *Calcutta*.

(2) M/s. Western India Oil Distg. Co. Ltd., Post Box No. 975, *Bombay*-1.

(3) M/s. Burmah Oil Co. (I.T.) Ltd., P.O. Digboi, *Assam*.

(4) M/s. Indian Oil Corpn. Ltd. (Marketing Division), Dr. Annie Basant Road, Worli, *Bombay*-18.

(5) M/s. Burmah Shell Oil Storage & Distributing Co. of India Ltd., Connaught Circus, *New Delhi*-1.

(6) M/s. Esso Standard Eastern Inc., Post Box No. 255, *New Delhi*-1.

(7) M/s. Caltex (India) Ltd., Thaper House, *New Delhi*-1.

(8) M/s Indo Burma Petroleum Co. Ltd., Indira Palace, *New Delhi*-1.

(9) M/s. Western India Oil Distg. Co. Ltd., B-10/4, Asaf Ali Road, Gulati Mansion, *New Delhi*.

(10) M/s. Burmah Oil Co. (IT) Ltd., 2/113, Parliament St., *New Delhi*-1.

(11) M/s. Indian Oil Corporation Ltd. (Marketing Division), Parliament St., *New Delhi*-1.

N. R. LAW,
Under Secretary to the Govt. of India.

STATEMENT NO. 1

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-Selling Points with F.O.B. and Freight as on 18-5-1965

Product : AVIATION SPIRIT/GASOLINE 100/130 OCTANE. Selling Unit : Kilo Litre

(Platt's OILGRAM Specification—A.V. Gas Grade 100/130)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	178·27	178·27	178·27	178·27	178·27	178·27	178·27	178·27
(ii) Freight	7·48	9·19	9·01	8·95	9·05	12·64	12·58	12·61
(iii) Insurance [illegible] 0·0755% on FOB	0·13	0·13	0·13	0·13	0·13	0·13	0·13	0·13
(iv) Ocean Loss at 0·54% C.I.F.	1·00	1·01	1·01	1·01	1·01	1·03	1·03	1·03
(a) C.I.F.	186·[illegible]	188·60	188·42	188·36	188·46	192·07	192·01	192·04
(b) Customs & Excise Duties (Recoverable Duty only)	501·67	501·67	501·67	501·67	501·67	501·67	501·67	501·67
(c) Wharfage	10·03	5·73	4·50	3·15	4·96	5·60	4·20	23·36
(d) Other compulsory landing charges	0·60	0·60	0·60	0·60	0·60	0·60	0·60	0·60
(1) Landed Cost	699·18	696·60	695·19	693·78	695·69	699·94	698·48	717·67
(2) Installation	13·31							
(3) Administration	17·12	63·63	63·63	63·63	63·63	63·63	63·63	63·63
(4) Distribution	11·31							
(5) Profit	21·89							
(A) Ex-Company's Storage Points	762·81	760·23	758·82	757·41	759·32	763·57	762·11	781·30
(6) Airfields	32·64	32·64	32·64	32·64	32·64	32·64	32·64	32·64
(B) Ex-International Airfields	795·45	792·87	791·46	790·05	791·96	796·21	794·75	813·94
(7) Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
(C) Ex-other Airfields	812·95	810·37	808·96	807·55	809·46	813·71	812·25	831·44

STATEMENT NO.

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-Selling Points with F.O.B. and Freight as on 18-5-1965

Product : AVIATION SPIRIT/GASOLINE 115/145 OCTANE (Platt's OILGRAM Specification—AVGAS GRADE 115/145)

Selling Unit : Kilo litre

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	194·21	194·21	194·21	194·21	194·21	194·21	194·21	194·21
(ii) Freight	7·34	9·01	8·83	8·77	8·87	12·39	12·33	12·36
(iii) Insurance at 0·0755% on FOB	0·15	0·15	0·15	0·15	0·15	0·15	0·15	0·15
(iv) Ocean Loss at 0·54% C.I.F.	1·09	1·10	1·10	1·10	1·10	1·12	1·12	1·12
(a) C.I.F.	202·79	204·47	204·29	204·23	204·33	207·87	207·81	207·84
(b) Customs and Excise Duties (Recoverable Duty only)	501·31	501·31	501·31	501·31	501·31	501·31	501·31	501·31
(c) Wharfage	10·03	5·73	4·50	3·08	4·96	5·60	4·20	23·28
(d) Other compulsory landing charges	0·60	0·60	0·60	0·60	0·60	0·60	0·60	0·60
(1) Landed Cost	714·73	712·11	710·70	709·22	711·20	715·38	713·92	733·03
(2) Installation	13·31							
(3) Administration	17·12	64·05	64·05	64·05	64·05	64·05	64·05	64·05
(4) Distribution	11·31							
(5) Profit	22·31							
A) Ex-company's Storage Points	778·78	776·16	774·75	773·27	775·25	779·43	777·97	797·08
(6) Airfields	32·64	32·64	32·64	32·64	32·64	32·64	32·64	32·64
(B) Ex-International Airfields	811·42	808·80	807·39	805·91	807·89	812·07	810·61	829·72
(7) Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
(C) Ex-other Airfields	828·92	826·30	824·89	823·41	825·39	829·57	828·11	847·22

STATEMENT NO. 3

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-5-1965

Product : AVIATION SPIRIT/GASOLINE 73 CLEAR. Selling Unit : Kilo Litre

(Platt's OILGRAM Specification—AVGAS GRADE 73 Clear)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	153·51	153·51	153·51	153·51	153·51	153·51	153·51	153·51
(ii) Freight	7·43	9·12	8·94	8·88	8·98	12·54	12·48	12·51
(iii) Insurance @ 0·0755% on FOB	0·12	0·12	0·12	0·12	0·12	0·12	0·12	0·12
(iv) Ocean Loss @ 0·54% C.I.F.	0·87	0·88	0·88	0·88	0·88	0·90	0·90	0·90
(a) C.I.F.	161·93	163·63	163·45	163·39	163·49	167·07	167·01	167·04
(b) Customs & Excise Duties (Recoverable Duty only)	501·51	501·51	501·51	501·51	501·51	501·51	501·51	501·51
(c) Wharfage	10·03	5·73	4·50	3·12	4·96	5·60	4·20	23·32
(d) Other compulsory landing charges	0·60	0·60	0·60	0·60	0·60	0·60	0·60	0·60
(1) Landed Cost	674·07	671·47	670·06	668·62	670·56	674·78	673·32	692·47
(2) Installation	13·31							
(3) Administration	17·12	62·93	62·93	62·93	62·93	62·93	62·93	62·93
(4) Distribution	11·31							
(5) Profit	21·19							
(A) Ex-company's Storage Points	737·00	734·40	732·99	731·55	733·49	737·71	736·25	755·40
(6) Airfields	32·64	32·64	32·64	32·64	32·64	32·64	32·64	32·64
(B) Ex-International Airfields	769·64	767·04	765·63	764·19	766·13	770·35	768·89	788·04
(7) Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
(C) Ex-other Airfields	787·14	784·54	783·13	781·69	783·63	787·85	786·39	805·54

STATEMENT NO. 4

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling Points with FOB and Freight as on 18-5-1965

Product : AVIATION TURBINE FUEL.

Selling Unit : Kilo Litre

(Platt's OILGRAM Specification—Turbine Fuel I(-58F)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	111·87	111·87	111·87	111·87	111·87	111·87	111·87	111·87
(ii) Freight	8·26	10·14	9·94	9·87	9·98	13·94	13·87	13·91
(iii) Insurance @ 0·0755% on F.O.B.	0·08	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(iv) Ocean Loss @ 0·54% C.I.F.	0·30	0·31	0·30	0·30	0·30	0·31	0·31	0·31
(a) C.I.F.	120·51	122·40	122·19	122·12	122·23	126·20	126·13	126·17
(b) Customs & Excise Duties (Recoverable Duty only)	231·76	231·76	231·76	231·76	231·76	231·76	231·76	231·76
(c) Wharfage	2·40	5·73	3·00	3·47	2·45	2·60	4·20	6·28
(d) Other compulsory landing charges	0·88	0·88	0·88	0·88	0·88	0·88	0·88	0·88
(1) Landed Cost	355·55	360·77	357·83	358·23	357·32	361·44	362·97	365·09
(2) Installation	3·09							
(3) Administration	7·19	28·42	28·42	28·42	28·42	28·42	28·42	28·42
(4) Distribution	6·67							
(5) Profit	11·47							
(A) Ex-company's Storage Points	383·97	389·19	386·25	386·65	385·74	389·86	391·39	393·51
(6) Airfields	17·85	17·85	17·85	17·85	17·85	17·85	17·85	17·85
(B) Ex-International Airfields	401·82	407·04	404·10	404·50	403·59	407·71	409·24	411·36
(7) Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50	17·50
(C) Ex-Other Airfields	419·32	424·54	421·60	422·00	421·09	425·21	426·74	428·86

STATEMENT NO. 5

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-5-1965

Product : MOTOR SPIRIT/MOTOR GASOLINE

Selling Unit : Kilo Litre

(Platt's OILGRAM Specification : 79 Oct.)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	81·71	81·71	81·71	81·71	81·71	81·71	81·71	81·71
(ii) Freight	7·45	9·15	8·97	8·91	9·01	12·58	12·52	12·55
(ii) Insurance @ 0·0755% on FOB	0·06	0·06	0·06	0·06	0·06	0·06	0·06	0·06
(iv) Ocean Loss @ 0·33% on C.I.F.	0·29	0·30	0·30	0·30	0·30	0·31	0·31	0·31
(a) C.I.F.	89·51	91·22	91·04	90·98	91·08	94·66	94·60	94·63
(b) Customs & Excise Duties (Recoverable Duty only)	501·57	501·57	501·57	501·57	501·57	501·57	501·57	501·57
(c) Wharfage	10·03	5·73	4·50	3·13	4·96	5·60	4·20	23·34
(d) Other compulsory landing charges	0·67	0·67	0·67	0·67	0·67	0·67	0·67	0·67
(1) Landed Cost	601·78	599·19	597·78	596·35	598·28	602·50	601·04	620·21
(2) Installation	8·31							
(3) Administration	17·63	60·22	60·22	60·22	60·22	60·22	60·22	60·22
(4) Distribution	15·10							
(5) Profit	19·18							
(A) Ex-Company's Storage Points	662·00	659·41	658·00	656·57	658·50	662·72	661·26	680·43
(6) Retail Pump Outlets	12·75	12·75	12·75	12·75	12·75	12·75	12·75	12·75
(7) Commission	41·80	41·80	41·80	41·80	41·80	41·80	41·80	41·80
(B) Ex-Retail Pump outlets within free delivery zone	716·55	713·96	712·55	711·12	713·05	717·27	715·81	734·98

STATEMENT No. 6

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-Selling points with F.O.B. and Freight as on 18-5-1965

Product : HIGH SPEED DIESEL OIL

Selling Unit : Kilo Litre

(Platt's OILGRAM Specification : 53/57 d. i.)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	85·91	85·91	85·91	85·91	85·91	85·91	85·91	85·9
(ii) Freight	8·79	10·79	10·58	10·51	10·63	14·84	14·77	14·80
(iii) Insurance @ 0·0755% on F.O.B.	0·06	0·06	0·06	0·06	0·06	0·06	0·06	0·06
(iv) Ocean loss @ 0·31% on C.I.F.	0·29	0·30	0·30	0·30	0·30	0·31	0·31	0·31
(a) C.I.F.	95·05	97·06	96·85	96·78	96·90	101·12	101·05	101·08
(b) Customs & Excise duties (Re-coverable duty only)	493·46	493·46	493·46	493·46	493·46	493·46	493·46	493·46
(c) Wharfage	6·02	2·29	3·75	2·08	2·48	6·00	2·70	6·49
(d) Other compulsory landing charges	0·62	0·62	0·62	0·62	0·62	0·62	0·62	0·62
(1) Landed Cost	595·15	593·43	594·68	592·94	593·46	601·20	597·83	601·65
(2) Installation	3·73							
(3) Administration	13·01	46·92	46·92	46·92	46·92	46·92	46·92	46·92
(4) Distribution	12·54							
(5) Profit	17·64							
(A) Ex-Company's storage points	642·07	640·35	641·60	639·86	640·38	648·12	644·75	648·57
(6) Retail Pump outlets	9·09	9·09	9·09	9·09	9·09	9·09	9·09	9·09
(7) Commission	17·60	17·60	17·60	17·60	17·60	17·60	17·60	17·60
(B) Ex-Retail pump outlets within free delivery zone	668·76	667·04	668·29	666·55	667·07	674·81	671·44	675·26

STATEMENT NO. 7

tatement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-5-65

'roduct : KEROSENE SUPERIOR.

Selling Unit : Kilo Litre

(Platt's OILGRAM Specification : Kerosene)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	104·41	104·41	104·41	104·41	104·41	104·41	104·41	104·41
(ii) Freight	8·28	10·16	9·96	9·89	10·00	13·97	13·91	13·94
(iii) Insurance @ 0·0755% on FOB	0·08	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(iv) Ocean loss @ 0·25% on CIF	0·28	0·29	0·29	0·29	0·29	0·30	0·30	0·30
(a) C.I.F.	113·05	114·94	114·74	114·67	114·78	118·76	118·70	118·73
(b) Customs & Excise duties (Re-coverable duty only)	231·81	231·81	231·[illegible]	231·81	231·81	231·81	231·81	231·81
(c) Wharfage	2·40	2·29	3·00	1·96	2·45	2·60	2·40	6·29
(d) Other compulsory landing charges	0·43	0·43	0·43	0·43	0·43	0·43	0·43	0·43
(1) Landed cost	347·69	349·67	349·98	248·87	349·47	353·60	353·34	357·26
(2) Installation	4·71							
(3) Administration	8·75	35·23	35·23	35·23	35·23	35·23	35·23	35·23
(4) Distribution	10·33							
(5) Profit	11·44							
(A) Ex. company's storage points	382·92	384·70	385·21	384·10	384·70	388·83	388·57	392·49
Packed/Bulk differential for 18·5 litre tins	2·56	2·56	2·56	2·56	2·56	2·56	2·56	2·56

STATEMENT No. 8

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-5-1965

Product : KEROSENE INFERIOR. Selling Unit : Kilo Litre.

(Platt's Oilgram Specification : No. 2 Fuel)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	80·93	80·93	80·93	80·93	80·93	80·93	80·93	80·93
(ii) Freight	8·41	10·32	10·12	10·05	10·16	14·19	14·13	14·16
(iii) Insurance @ 0·0755% on FOB	0·06	0·06	0·06	0·06	0·06	0·06	0·06	0·06
(iv) Ocean loss @ 0·25% on CIF	0·22	0·23	0·23	0·23	0·23	0·24	0·24	0·24
(a) C.I.F.	89·62	91·54	91·34	91·27	91·38	95·42	95·36	95·39
(b) Customs & Excise Duties (Recoverable Duty only)	104·71	104·71	104·71	104·71	104·71	104·71	104·71	104·71
(c) Wharfage	2·40	2·29	3·00	1·99	2·45	2·60	2·40	6·47
(d) Other compulsory landing charges	0·27	0·27	0·27	0·27	0·27	0·27	0·27	0·27
(1) Landed Cost	197·00	198·81	199·32	198·24	198·81	203·00	202·74	206·84
(2) Installation	4·71							
(3) Administration	8·75							
(4) Distribution	10·33	31·52	31·52	31·52	31·52	31·52	31·52	31·52
(5) Profit	7·73							
Ex-Company's storage points	228·52	230·33	230·84	229·76	230·33	234·52	234·26	238·36
Packed/Bulk differential for 18·5 litre tins	2·56	2·56	2·56	2·56	2·56	2·56	2·56	2·56

STATEMENT No. 9

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-5-1965

Product : VAPORISING OIL

Selling Unit : Kilo Litre.

(Platt's OILGRAM Specification : Tractor Vaporising Oil)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) F.O.B.	100·76	100·76	100·76	100·76	100·76	100·76	100·76	100·76
(ii) Freight	8·50	10·44	10·23	10·16	10·28	14·35	14·28	14·32
(iii) Insurance @ 0·0755% on FOB	0·08	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(iv) Ocean loss @ 0·35% on CIF	0·38	0·39	0·39	0·39	0·39	0·40	0·40	0·40
(a) C.I.F.	109·72	111·67	111·46	111·39	111·51	115·59	115·52	115·56
(b) Customs & Excise Duties (Recoverable only)	493·21	493·21	493·21	493·21	493·21	493·21	493·21	493·21
(c) Wharfage	2·40	2·29	3·00	2·01	2·45	2·60	4·20	6·42
(d) Other compulsory landing charges	1·50	1·50	1·50	1·50	1·50	1·50	1·50	1·50
(1) Landed-cost	606·83	608·67	609·17	608·11	608·67	612·90	614·43	616·69
(2) Installation	10·86							
(3) Administration	13·20	56·83	56·83	56·83	56·83	56·83	56·83	56·83
(4) Distribution	14·29							
(5) Profit	18·48							
Ex-Company's Storage Points	663·66	665·50	666·00	664·94	665·50	669·73	671·26	673·52

STATEMENT No. [illegible]

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-6-65

Products : LIGHT DIESEL OIL — Selling Unit : Kilo Litre

(Platt's OILGRAM Specification : Industrial Diesel)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*) F. O. B.	83·07	83·07	83·07	83·07	83·07	83·07	83·07	83·07
(*ii*) Freight	9·08	11·14	10·92	10·85	10·97	15·32	15·25	15·28
(*iii*) Insurance @ 0·0755% on FOB	0·06	0·06	0·06	0·06	0·06	0·06	0·06	0·06
(*iv*) Ocean loss @ 0·44% on CIF	0·41	0·41	0·41	0·41	0·41	0·43	0·43	0·43
(*a*) C.I.F.	92·62	94·68	94·46	94·39	94·51	98·88	98·81	98·84
(*b*) Customs and Excise duties (Recoverable duty only)	86·16	86·16	86·16	86·16	86·16	86·16	86·16	86·16
(*c*) Wharfage	6·02	2·29	3·75	2·15	2·56	6·00	2·70	6·63
(*d*) Other compulsory landing charges.	0·55	0·55	0·55	0·55	0·55	0·55	0·55	0·55
(1) Landed Cost	185·35	183·68	184·92	183·25	183·78	191·59	188·22	192·[illegible]
(2) Installation	3·86	24·60	24·60	24·60	24·60	24·60	24·60	24·60
(3) Administration	7·79							
(4) Distribution	6·00							
(5) Profit	6·95							
Ex-Company's Storage Points	209·95	208·28	209·52	207·85	208·38	216·19	212·82	216·78

STATEMENT No. 11

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-selling points with F.O.B. and Freight as on 18-5-1965

Product : FURNACE OIL

Selling Unit : Metric Ton

(Platt's OILGRAM Specification : Bunker 'C' Fuel)

Details	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*) F.O.B.	49·29	49·29	49·29	49·29	49·29	49·29	49·29	49·29
(*ii*) Freight	10·63	13·06	12·80	12·71	12·86	17·96	17·87	17·91
(*iii*) Insurance @ 0·0755% on FOB	0·04	0·04	0·04	0·04	0·04	0·04	0·04	0·04
(*iv*) Ocean loss @ 0·11% on CIF	0·07	0·07	0·07	0·07	0·07	0·07	0·07	0·07
(*a*) C.I.F.	60·03	62·46	62·20	62·11	62·26	67·36	67·27	67·31
(*b*) Customers and Excise duties (Recoverable duties only)	86·50	86·50	86·50	86·50	86·50	86·50	86·50	86·50
(*c*) Wharfage	6·43	2·45	4·02	2·52	3·00	6·43	2·89	8·04
(*d*) Other compulsory landing charges	0·27	0·27	0·27	0·27	0·27	0·27	0·27	0·27
(1) Landed Cost	153·23	151·68	152·99	151·40	152·03	160·56	156·93	162·12
(2) Installation	1·90							
(3) Administration	2·39	11·98	11·98	11·98	11·98	11·98	11·98	11·98
(4) Distribution	2·78							
(5) Profit	4·91							
Ex-Company's Storage Points	165·21	163·66	164·97	163·38	164·01	172·54	168·91	174·10

STATEMENT No. 12

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-Selling points with FOB and Freight as on 18-5-1965

Product : BITUMEN STRAIGHT GRADES — Selling Unit : Metric Ton

Details	Bulk Parity			Packed Parity				
	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*) F. O. B.	50·48	138·02	138·02	138·02	138·02	138·02	138·02	138·02
(*ii*) Freight (AFRA for Bulk and Conference rates for Packed)	12·88	59·94	59·94	59·94	59·94	68·29	72·46	72·46
(*iii*) Insurance at 0·0755% on FOB for Bulk and at 0·090% on C & F for Packed	0·04	0·18	0·18	0·18	0·18	0·19	0·19	0·19
(*iv*) Ocean Loss at 0·10% on CIF	0·06	0·20	0·20	0·20	0·20	0·21	0·21	0·21
(*a*) C.I.F.	63·46	198·34	198·34	198·34	198·34	206·71	210·88	210·88
(*b*) Customs and Excise Duty (Recoverable Duty only)	76·00	76·00	76·00	76·00	76·00	76·00	76·00	76·00
(*c*) Wharfage	3·61	3·94	4·69	3·35	3·00	5·40	3·60	6·67
(*d*) Other compulsory landing charges	0·74	0·74	0·74	0·74	0·74	0·74	0·74	0·74
(*e*) Cost of Drums (B.S.R. Basis)	91·46	..	..	..	..	..	..	..
(1) Landed Cost (Packed)	235·27	279·02	279·77	278·43	278·08	288·85	291·22	294·29
(2) Installation	9·59							
(3) Administration	8·78	31·74	31·74	31·74	31·74	31·74	31·74	31·74
(4) Distribution	4·53							
(5) Profit	8·84							
Ex-Company's Storage Points	267·01	310·76	311·51	310·17	309·82	320·59	322·96	326·03

STATEMENT No. 13

Statement showing the estimated basic ceiling selling prices (without non-recoverable additional duty) ex-Selling Points with FOB & Freight as on 18-5-65

Product : BITUMEN CUTBACKS   Selling Unit : Metric Ton

Details	Bulk Parity	Packed Parity						
	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*) F. O. B..	70·74	170·91	170·91	170·91	170·91	170·91	170·91	170·91
(*ii*) Freight (AFRA for Bulk and Conference rates for Packed)	12·88	61·05	61·05	61·05	61·05	69·57	73·85	73·85
(*iii*) Insurance at 0·0755% on FOB for Bulk and at 0·0905% on C & F for Packed	0·05	0·21	0·21	0·21	0·21	0·22	0·22	0·22
(*iv*) Ocean Loss at 0·10% on C.I.F.	0·08	0·23	0·23	0·23	0·23	0·24	0·24	0·24
(*a*) C.I.F.	83·75	232·40	232·40	232·40	232·40	240·94	245·22	245·22
(*b*) Customs and Excise duty (Recoverable duty only)	88·00	88·00	88·00	88·00	88·00	88·00	88·00	88·00
(*c*) Wharfage	3·61	3·94	4·69	3·35	3·00	5·40	3·60	6·67
(*d*) Other compulsory landing charges	0·74	0·74	0·74	0·74	0·74	0·74	0·74	0·74
(*e*) Cost of Drums (B.S.R. Basis)	118·57	..	..	..	..	..	..	..
(1) Landed Cost (Packed)	294·67	325·08	325·83	324·49	324·14	335·08	337·56	340·63
(2) Installation	9·59	32·75	32·75	32·75	32·75	32·75	32·75	32·75
(3) Administration	8·78							
(4) Distribution	4·53							
(5) Profit	9·85							
Ex-Company's Storage Points	327·42	357·83	358·58	357·24	356·89	367·83	370·31	373·38

STATEMENT No. 14

Statement showing the estimated basic ceiling selling prices (without Additional non-recoverable duty) ex-Selling Points with F.O.B. and Freight as on 18-5-1965

Product : BITUMEN CUTBACKS/RC GRADE — Selling Unit : Metric Ton

Details	Bulk Parity	Packed Parity						
	Bombay	Kandla	Okha	Goa	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*) F.O.B.	80·59	180·76	180·76	180·76	180·76	180·76	180·76	180·76
(*ii*) Freight (AFRA for Bulk and Conference rates for packed)	12·88	61·05	61·05	61·05	61·05	69·57	73·85	73·85
(*iii*) Insurance @ 0·0755% on FOB for Bulk and @ 0·0905% on C&F for packed	0·06	0·22	0·22	0·22	0·22	0·23	0·23	0·23
(*iv*) Ocean loss @ 0·10% on C.I.F.	0·09	0·24	0·24	0·24	0·24	0·25	0·25	0·25
(*a*) C.I.F.	93·62	242·27	242·27	242·27	242·27	250·81	255·09	255·09
(*b*) Customs & Excise duties (Recoverable duty only)	88·00	88·00	88·00	88·00	88·00	88·00	88·00	88·00
(*c*) Wharfage	3·61	3·94	4·69	3·35	3·00	5·40	3·60	6·67
(*d*) Other compulsory landing charges	0·74	0·74	0·74	0·74	0·74	0·74	0·74	0·74
(*e*) Cost of drums (BSR Basis)	118·57	..	..	..	..	..	..	..
(1) Landed Cost (Packed)	304·54	334·95	335·70	334·36	334·01	344·95	347·43	350·50
(2) Installation	9·59							
(3) Administration	8·78							
(4) Distribution	4·53	33·03	33·03	33·03	33·03	33·03	33·03	33·03
(5) Profit	10·13							
Ex-Company's Storage Points	337·57	367·98	368·73	367·39	367·04	377·98	380·46	383·53

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